

DRAFT IN PREPARATION

Planning & Delivery Framework for Water Infrastructure in SEQ

As at

31 March 2011

Prepared by the Queensland Water Commission in collaboration with:
Seqwater, WaterSecure, Linkwater
SEQ Water Grid Manager
Allconnex Water, Queensland Urban Utilities, Unitywater
Department of Environment and Resource Management
Queensland Treasury
Queensland Treasury Corporation
Queensland Competition Authority



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Revision History

Revision Date	Version No.	Description of Change/Revision
	0	Draft

Endorsement

Name	Title	Signature	Date
	Qld Water Commission		
	SEQWGM		
	Seqwater		
	Linkwater		
	Water Secure		
	DERM		
	Treasury		

Notes for JVA

- Need to standardise names of GSPs, DRS, Commission/QWC etc
- What to call Seqwater-WaterSecure
- Latest flowcharts
- Framework short name eg Water Infrastructure Framework?
- Names of figures by group or infrastructure – need to fix DRs

Questions about the RWSP

- is there criteria for what goes in it – regionally significant, State significant
- why put something in if Seqwater/Linkwater can build it as part of their program of works
- Is there a scenario where something is required and Seqwater/linkwater won't / can't build it?? Therefore need State involvement through the RWSP? Desal?

National Water Initiative – need to include national drivers somewhere

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SUMMARY

This report ~~documents~~ ~~presents~~ ~~an agreed~~ Framework that describes how infrastructure associated with the supply of water in SEQ is planned, regulated and delivered.

The Framework has been designed to capture and present, in an integrated manner, all the existing regulations, processes and requirements that describe how planning and delivery of water infrastructure is and will occur in SEQ in the future. The Framework in no way attempts to create any new processes with associated obligations or burdens for the organisations described. The Framework has no legislative basis or head-of-power, per se.

The Framework is intended to ~~apply~~ ~~assist~~ parties associated with water supply arrangements in SEQ that have a substantial planning or asset management function. These have been identified as:

- Queensland Water Commission
- Grid Service Providers : Seqwater merged with Watersecure (as of the 1 July 2011) and Linkwater
- SEQ Water Grid Manager
- Distributor-Retailers : Allconnex ~~Water~~, Unitywater, Queensland Urban Utilities

The Framework also takes account of the roles of various regulators and government agencies such as:

- Queensland Competition Authority
- Department of Environment and Resource Management : as the water supply regulator, dam safety regulator, asset regulator and environment protector
- Queensland Treasury
- ~~Department of Infrastructure and Planning~~
- Queensland Treasury Corporation

The Framework does not, in its current form, capture the informal processes and interactions that exist between the various parties. This greater level of detail may be integrated into future versions of this document. One such example is collaborative planning.

Collaborative planning and solution identification will be critical to the efficient expenditure of capital in the SEQ water market. Determining how to undertake and realise this collaboration is the most critical uncertainty identified during preparation of the Framework at this time. However, although there is essentially no prescriptive or guiding commentary on how this collaboration should or could occur within the context of the SEQ Water Grid, under the current arrangements, no impediments have been identified to hinder these activities or stop them from occurring.

The Queensland Water Commission ~~is the document controller. The Commission~~ will update and amend the document in consultation with all collaborators on an as-needs basis. It is expected that the frequency of updates may be more often than annually at the start, but will diminish over time as associated processes and procedures are developed and implemented.

The Framework

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1. PURPOSE & BACKGROUND

1.1 Purpose

There are many parties with responsibilities for regulation, planning and delivery of water services in South East Queensland. The different organisations have different drivers, regulatory contexts and business arrangements depending on their roles.

This report ~~presents documents an agreed a~~ Framework that describes how infrastructure associated with the supply of water in SEQ is planned, regulated and delivered.

The purpose of the Framework is to:

- Provide a common understanding of the roles and responsibilities of the various parties associated with planning and delivery of water infrastructure in SEQ;
- Articulate existing legislative, regulatory and commercial requirements and arrangements, where they exist;
- Clarify the relationship between the planning and regulatory processes associated with the delivery of different types of asset projects;
- Provide a basis for identifying areas of improvement in the current arrangements and provide direction on how efforts for improvement may be best spent.

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This Framework is the agreed understanding of the participants and key stakeholders of the SEQ Water Grid.

~~Its focus is on the roles and responsibilities, processes and approval mechanisms for identifying and delivering new assets that:~~

- ~~Expand the capability of the SEQ Water Grid in terms of the quantity, quality or reliability of water supplied to ensure the level of service objectives for the region can be maintained;~~
- ~~Improve the delivery of bulk water services in SEQ in terms of efficiency and cost effectiveness; or~~
- ~~Ensure that existing assets are maintained, renewed or replaced to appropriate standards to achieve required outcomes.~~

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~~The Framework for infrastructure planning and delivery reflects the intent of the institutional reforms and integrates with the framework of economic, asset management and market regulation, as they are described or currently understood.~~

~~The Framework seeks to:~~

- ~~Clarify the relationship between the planning and regulatory processes associated with the delivery of different types of asset projects.~~
- ~~Ensure that Grid Service Providers are provided with an avenue to meet their current and future regulatory obligations for efficient service delivery.~~
- ~~Promote total water cycle planning, consistent with the principles of the SEQ Regional Plan.~~
- ~~Ensure a rigorous and transparent process is applied to the identification of projects recommended for inclusion in the Regional Water Security Program, including drought response infrastructure.~~

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- Ensure the timely and efficient delivery of projects described in the Regional Water Security Program.

1.2 Scope

This Framework is focussed on planning and delivery of water infrastructure in South East Queensland to achieve outcomes as defined in legislation, regulations, contracts and other requirements. This includes infrastructure driven by growth, usageconsumption, compliance, efficiency and drought, to achieve security and sufficiency of supply for the SEQ community.

The Framework does not, in its current form, capture the informal processes and interactions that exist between the various parties. This greater level of detail, may be integrated into future versions of this document.

It is noted that the Framework processes may apply on multiple time horizons. For example Identified needs may be realised over differing timeframes such as 5, 10 or 20 years. The various processes are not necessarily sequential once-through processes rather, there are likely to be multiple activities occurring in many parts of the Framework at any time.

It must be noted that this work in no ways presumes infrastructure is the answer to all water supply needs. Rather, there is an expectation that infrastructure solutions must prove their merits against non-infrastructure solutions to proceed to delivery. Although the focus of the Framework is on infrastructure, it is recognised that optimal service delivery requires an appropriate mix of infrastructure and non-infrastructure solutions.

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In regards to infrastructure associated with wastewater management, this is only considered in the Framework where it impacts on water supply through the water balance (regionally or sub-regionally) or water quality impacts.

1.3 Application

The Framework is intended to apply—assiste parties associated with water supply arrangements in SEQ that have a substantial planning or asset management function. These have been identified as:

- Queensland Water Commission
- Grid Service Providers : Seqwater merged with Watersecure (as of the 1 July 2011) and Linkwater
- SEQ Water Grid Manager
- Distributor-Retailers : Allconnex Water, Unitywater, Queensland Urban Utilities

The Framework also takes account of the roles of various regulators and government agencies such as:

- Queensland Competition Authority
- Department of Environment and Resource Management : as the water supply regulator, dam safety regulator, asset regulator and environment protector
- Queensland Treasury
- Department of Infrastructure and Planning
- Queensland Treasury Corporation

The Framework has been designed to capture and present, in an integrated manner, all the existing regulations, processes and requirements (or those in development) that describe how planning and delivery of water infrastructure is and will occur in SEQ in the future. The

Framework in no way attempts to create any new processes with associated obligations or burdens for the organisations described. The Framework has no legislative basis or head-of-power, per se.

1.4 Assumptions

The key assumptions made in preparing the Framework were:

- The SEQ Regional Plan 2009-2031 forms the basis for growth in SEQ;
- The Stage 2 reforms of the SEQ water industry will be finalised as expected;
- The role of the Price Regulator

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1.51.4 Administration

The Queensland Water Commission ~~is the document controller. The Commission~~ will update and amend the document in consultation with all collaborators on an as needs basis. It is expected that the frequency of updates may be more often than annually at the start, but will diminish over time as associated processes and procedures are developed and implemented.

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Details of how this update process will occur will be developed and agreed in due course.

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2. OVERVIEW OF THE WATER INFRASTRUCTURE FRAMEWORK

An overview of the Planning and Delivery Framework is shown in Figure 1 and discussed in this section. Following this overview discussion there are a series of more detailed descriptions of the various components of the Framework, presented by organisational group. These are brought together at the end of the document as a more comprehensive and detailed version of the Framework.

Figure 1 Water Infrastructure Planning and Delivery Framework - Overview

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2.1 Framework – Organisations

The Framework is heavily based on the supply-chain with a customer driven approach. As such, the Framework has been presented according to the type of organisation and therefore the process and type of infrastructure that will be planned and delivered.

The diagrams presented throughout are intended to assist the reader and complement the presented text. There is no significance to the order of presentation of organisational groups, the size of boxes or the colour coding system that has been adopted.

The organisations described, align with the institutional model for water supply in South East Queensland which involves:

- Distributor-Retailers – focused on providing urban water distribution and retail services, and waste water and trade water services.
- Grid Service Providers – focused on providing bulk water services.
- The Queensland Water Commission – focused on regional water security matters.
- SEQ Water Grid Manager – focused on buying and selling bulk water services, and optimising operation of the Water Grid as a whole.

The Framework accommodates both interactive and non-interactive processes. In some cases, planning and delivery can be undertaken almost discretely by a particular organisation, within the legislative and regulatory guidelines. Whereas, other cases will require substantial interaction and collaboration.

There are decision points throughout that lead to different pathways. An attempt has been made to capture all reasonable likelihoods, however there may be scenarios that the Framework does not accommodate well. As the supporting legislation, economic and regulatory arrangements are finalised, these will be reflected in the Framework.

2.2 Framework – Steps

The Queensland Government, ~~through the Department of Infrastructure and Planning,~~ has Project Assurance and Value for Money Frameworks that describe in detail the stages of a project including strategic assessment of service requirement, preliminary evaluation, business case development, supply strategy development, how to source suppliers, establish service capability and deliver service. These represent the minimum standards for project management and assurance across the Queensland Public Sector.

For those entities of the SEQ Water Grid not owned by the State Government, it is expected that similar processes are likely to be utilised in accordance with good project management practice.

On this basis, a series of activities have been identified that are common to many planning and delivery processes. These activities, shown in Figure 1 are as follows:

- Drivers and Needs – the customer, regulatory, contractual, business and technical considerations that are taken into account in planning of investments;
- Solutions – development and assessment of individual investment options to address the needs and drivers;
- Decisions – the decision makers and processes leading to approval of prices / revenues and/or approval of funding that enables an entity to undertake investments and operate assets;
- Commercial – commercial arrangements such as amendments to tariffs or charges, contracts, operating protocols etc required to allow investment decisions to proceed;

- Delivery – the implementation of the investment program or project and the ongoing management and operation of the assets.

It is noted that the Framework processes may apply on multiple time horizons. For example identified needs may be realised over differing timeframes such as 5, 10 or 20 years. The various processes are not necessarily sequential once-through processes rather, there are likely to be multiple activities occurring in many parts of the Framework at any time.

Drivers and Needs

The first step in the planning process is to understand the needs by assessing the drivers for change and needs. Many of these drivers will be mandatory and with specific requirements such as water quality specifications to protect public health, whereas others will be drivers towards continuous improvement such as ongoing efficiency improvements. The Framework does not differentiate between the "strength" of drivers or their origination.

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Although not explicitly intended, the Framework has a bias towards infrastructure associated with water supply. However, the processes presented seem able to be applied to planning and delivery of infrastructure with other drivers such as flood mitigation or catchment management.

Capital spending on water infrastructure in SEQ will occur to satisfy a wide range of different drivers including:

- Water quality requirements;
- Increasing demand due to population growth or increased usage;
- Changing demand patterns geographically;
- Decreased yield of existing supplies due to climate change effects, operating arrangements etc;
- Customer requirements including the customer code;
- Level of service objectives;
- Environmental compliance requirements;
- Asset standards; and
- Improved economic efficiency.

It is essential that the drivers for change are well understood to enable the need for infrastructure expenditure to be clearly articulated. It is also essential to ensure that there is consistency and alignment across the drivers that apply to the various participants in the SEQ Water Grid.

Solutions

The "solutions" step of the planning process involves identifying the preferred investment or suite of investments to address specific needs or drivers over the relevant planning horizon. It is expected that any solutions identified will be integrated into an entity's investment program or portfolio which will comprise the full range of likely or possible investments expected over the planning horizon. The program or portfolio will be regularly reviewed and reassessed with proposed investments being modified or removed, or timing changed based on a range of different factors such as changes in needs or drivers, strategic priorities, availability of resources or funding arrangements.

Collaborative planning will be critical to achieving high quality, optimised solutions for the entire SEQ Water Grid. There will be many occasions when a need identified by a particular business may be best met through the collaboration of various grid participants.

In fact, planning or identifying solutions by an organisation in isolation of its upstream and downstream neighbours, is unlikely to produce an optimal outcome.

The challenge though is to balance the needs of individual businesses with the greater good of the SEQ Water Grid.

Determining how to undertake and realise this collaboration is the most critical uncertainty identified during preparation of this Framework. Currently there is no requirement through legislation for collaborative planning of infrastructure within the SEQ Water Grid. Nor is there any guiding commentary on how collaborative planning should or could occur within the context of the SEQ Water Grid. However, under the current arrangements, no impediments have been identified to hinder these activities or stop them from occurring.

Decisions

The "decisions" step encompasses the approvals which are necessary to enable a business to enter into the required commercial arrangements and to deliver and operate specific investments.

The following are the key decisions processes identified in the Framework:

1. Agreement with proposed expenditure programs and
2. Decisions to authorise revenues or prices to support investment in assets that provide monopoly services;
3. Commitments to regionally significant investments that are made by the Minister through the revised Regional Water Security Program for SEQ.

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It should be noted that where a water business provides services that are not of a monopoly nature, these are expected to be excluded from regulation.

The decision step in this Framework is not intended to capture compliance processes.

Commercial

Once decisions have been made on the services to be provided and the associated expenditures or prices have been approved, then there will be a need to amend various commercial arrangements including tariffs / charges; contracts and operating protocols or practices. These arrangements are broadly described in the Market Rules.

The Framework does not deal with the commercial aspects of the planning and delivery process in any detail.

Delivery

When relevant investment approvals, prices and contracts have been approved, then the capital investment can be delivered. There are many different delivery mechanisms available to the water businesses.

However, the Framework differentiates between two categories of delivery aligned with the two types of decisions discussed above:

- Delivery of investments approved by the Minister under the Regional Water Security Program (RWSP) for SEQ is the responsibility of the Queensland Water Commission in cooperation with the Coordinator General (See sSection xxx6.3)
- Delivery decisions mechanisms for all other investments are made-determined by the relevant water businesses, in accordance with any conditions made by the decision-makers.

This report does not deal with the delivery aspects of the planning and delivery process in any detail.

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3. THE FRAMEWORK FOR DISTRIBUTION WATER INFRASTRUCTURE

The Planning & Delivery Framework for Distributor Retailers is shown in Figure 2 below.

Figure 2 The Framework for Distribution Water Infrastructure

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3.1 Introduction to Distributor-Retailers

There are three Distributor-Retailer entities (DRs) currently operating in the SEQ Water Grid. The DRs are owned by the local governments that define their service boundaries. The DRs are:

- Unitywater with the participating local governments of Sunshine Coast and Moreton Bay Regional Councils.
- Queensland Urban Utilities with the participating local governments of Brisbane and Ipswich City Councils, Scenic Rim, Lockyer Valley and Somerset Regional Councils.
- Allconnex Water with the participating local governments of Gold Coast, Redland and Logan City Councils.

The primary functions of each DR are described in the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*. It is part of each DRs role to provide urban water distribution and retail services, and waste water and trade waste services to their customers. Clearly there is a need to own, operate, maintain and invest in infrastructure to support these activities.

3.2 The Framework for DRs

The following description-discussion works through the steps previously described in Section 2.2 to demonstrate how decisions are most likely to be made by the DRs in relation to future infrastructure expenditure.

Needs & Drivers

The DRs are driven by a need to deliver services efficiently, to meet customer requirements and in accordance with regulatory obligations. The DRs are required to operate commercially.

Some of the key drivers and inputs that determine how DRs make decisions about infrastructure include:

- water quality standards (health, taste, odour),
- environmental standards and requirements,
- customer service standards (pressure, reliability),
- other regulatory standards and requirements (Netserv, asset standards),
- demand forecasts, local government planning schemes, and regional planning schemes,
- operating protocols, grid contracts, Market Rules,
- operating costs and other commercial factors such as access to funds, allowable return on investment and dividends to owners.

It is expected that DRs will be continually reviewing the drivers to their businesses and adjusting to changes in the needs and requirements of customers, regulators and owners.

Solutions

All assets require maintenance and over time they may also require renewals or refurbishments. It is expected that DR businesses will have protocols and strategies in place for expenditure associated with these types of needs. These protocols and

strategies will be articulated through the Water Netserv Plans which are a regulatory requirement.

Each of the three new distributor-retailer entities will be required to have a Water Netserv plan in place from 1 July 2013. The Water Netserv plan will set out details of each distributor-retailer's water and wastewater networks and how water and wastewater services will be provided. The Netserv Plans will also provide the basis for decisions to expand a water distribution network, including storage or water quality requirements. (Appendix 1 contains further discussion on Netserv Plans.)

When needs are identified for new infrastructure, the decision process may take several paths. The critical question is – can the DR meet the need efficiently, using the existing bulk water supply arrangements? Depending on the timeframe for the need, this may be extended to future needs, for example can the DR meet the projected need efficiently, using existing and proposed future bulk water supply arrangements?

If the answer is 'yes', then the DR would continue on with the planning process. The Netserv Plan will be updated to reflect the proposed solutions to changed needs and at the appropriate time a submission would be made to the economic regulatory decision makers to allow the expenditure to be recovered.

If the answer to the question is 'no', then the DR would need to seek alternate bulk water supply arrangements from the SEQ Water Grid Manager. The process from here is discussed below in Section 5.3 below.

As previously discussed in Section 2.2 Solutions, identifying the best solution to a need is likely to be improved by a collaborative approach to the solution identification.

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Decisions

The water supply activities of Allconnex Water, Queensland Urban Utilities and Unitywater have been declared monopoly business activities, by the Queensland Competition Authority Act 1997 (S170QA). These activities have been referred to the Queensland Competition Authority (QCA) for price monitoring covering the period from 1 July 2010 to 30 June 2013. QCA must provide a Final Report for 2010/11 by 31 March 2011. For 2011/12 and 2012/13, the Authority must report by 31 December 2011 and 2012 respectively.

Following on from the price monitoring activities, the QCA will make water pricing determinations, with the first pricing period for determination starting on 1 July 2013. In the interim, control of the retail prices set by the DRs will continue to be undertaken by the Boards and the various participating local Governments.

Commercial

Grid Contract Documents have been made between the SEQ Water Grid Manager and the Distributor-Retailers

Delivery

The A DR currently delivers infrastructure approved by its boards and owners, in accordance with its business practices. In the future, any new infrastructure will be delivered in accordance with the price determinations made by QCA, and the associated requirement for efficient expenditure of capital.

3.3 Interactions between DRs and Others

For the DRs to operate their businesses appropriately and efficiently and meet the needs of their customers they must engage with a diverse range of organisations including their customers, the broader community, the Councils, the SEQ Water Grid Manager, the Grid Service Providers, regulators, other Government Agencies and the other DRs. At this time, the Framework does not attempt to capture the nuances of all these relationships. However, for the DRs, there are two critical interactions with other parts of the Framework which occur have been identified:

1. When the best option to expand access to bulk water supplies is via a DR network;

Over time, as growth patterns change in SEQ, there will be changing needs in relation to where bulk water is delivered. In many cases there will simply be a need for additional transport infrastructure to move increasing volumes of water to new locations. It is possible that making an expansion to one of the DR's networks may be the most effective way to meet a need for additional bulk water in an adjoining DR area, rather than expanding Linkwater's bulk network. The Framework accommodates these types of scenarios through the collaborative planning process described in [Section 4.3](#).

OR

2. When QWC identifies solutions to regionally significant needs that can be efficiently implemented by DRs.

In the same way that a significant bulk transport augmentation may be best undertaken by a DR to meet another organisation's needs, it is possible that the QWC may identify projects that would be best implemented on a DR level in response to a regionally significant need. Further discussion on planning for regionally significant needs is presented in [Section 6.4](#).

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4. THE FRAMEWORK FOR BULK WATER INFRASTRUCTURE

The Planning & Delivery Framework for bulk water infrastructure is shown in Figure 3 below. This is the Framework as it applies to the Grid Service Providers.

Figure 3 The Framework for Bulk Water Infrastructure

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4.1 Introduction to Grid Service Providers

As of 1 July 2011, there will be two entities that own and manage bulk water infrastructure in the SEQ Water Grid, collectively these are referred to as the grid service providers (GSPs). The GSPs will be:

- Seqwater merged with WaterSecure - the bulk water supply authority; and
- Linkwater – the bulk water transport authority.

The primary functions of Seqwater and Linkwater are described in the *South East Queensland Water (Restructuring) Act 2007*. Two of the key functions include the supply of water services and the development of water supply works.

4.2 The Framework for GSPs

The following ~~description~~ discussion follows ~~works through~~ the steps ~~previously~~ described in Section 2.2 to demonstrate how decisions are most likely to be made by the GSPs in relation to future infrastructure expenditure.

Needs & Drivers

~~As with the Distributor-Retailers, the GSPs are driven by a need to deliver services efficiently, to meet their customer's requirements and in accordance with regulatory obligations, and to operate commercially. The SEQ Water Grid Manager is the sole customer of Linkwater and the principle customer of Seqwater-WaterSecure.~~

~~Some of the key drivers and inputs that determine how Seqwater-WaterSecure and Linkwater make decisions about infrastructure include:~~

- ~~• the security objectives for the region (level of service objectives), which are translated into grid instructions via the System Operating Plan~~
- ~~• the Market Rules,~~
- ~~• contractual obligations to the WGM and other customers including water quality standards (health, taste, odour) and a requirement for good operating practice,~~
- ~~• environmental standards and requirements, including appropriate and sustainable catchment management,~~
- ~~• regulatory requirements associated with drinking water supplies including Strategic Asset Management Plans (SAMPs) and Drinking Water Quality Management Plans,~~
- ~~• operating protocols with other grid participants,~~
- ~~• costs and other commercial factors such as access to funds, return on investment and dividend requirements,~~
- ~~• internal drivers such as performance targets and risk profile.~~

~~Some of the key drivers and inputs that determine how Seqwater-WaterSecure and Linkwater make decisions about infrastructure include — water quality standards (health, taste, odour), environmental standards, other regulatory standards and requirements, contractual obligations to the WGM and other customers, operating protocols with other grid entities, demand forecasts, operating costs and commercial factors (access to funds, return on investment).~~

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~~It is expected that Seqwater, WaterSecure and Linkwater will be continually reviewing the drivers to their businesses and adjusting to changes in the needs and requirements of their customers, regulators and owners.~~

Solutions

Comment [jva1]: Re-written

The "solutions" step of the planning process involves identifying the preferred investment or suite of investments to address specific needs or drivers over the relevant planning horizon.

In some cases, such as for renewals or refurbishments of infrastructure, the GSPs will be well positioned to identify appropriate expenditure proposals to satisfy identified needs. It is expected that the GSPs will have protocols and strategies in place as a basis for these decisions. As a minimum these will be articulated through Strategic Asset Management Plans (SAMPS), which are a requirement of the *Water Supply (Safety and Reliability) Act 2008*.

For the cases when there is a need to expand capability of services there are likely to be many occasions when a need identified by a particular business may be best met through the collaboration of various grid participants. This was previously discussed in Section 2.2.

Currently there is no requirement through legislation for collaborative planning of infrastructure within the SEQ Water Grid. Nor is there any guiding commentary on how collaborative planning should or could occur within the context of the SEQ Water Grid. However, there are some existing processes that may provide an avenue to support this type of planning, these include:

- The SEQ Water Grid Manager's (WGM) role was recently extended to providing advice to the responsible Ministers on the need for proposed new and replacement capital expenditure across the SEQ Water Grid, taking into account contractual requirements and a whole of Grid perspective (this is discussed further below in *Decisions*).
- The SEQ WGM is required to prepare an Operating Strategy for the SEQ Water Grid every six months, in accordance with the requirements of the System Operating Plan. Through this process the SEQWGM may provide guidance to the GSPs on the short or medium term need for particular services, which will assist them with the associated planning activities.
- Netserv plans will be the key planning document for the distributor-retailers. These are a requirement of the *SEQ Water (Distribution and Retail Restructuring) Act 2009*. The subordinate regulations are currently in preparation and more discussion is presented on the Netserv Plans in Appendix XX.

The challenge with collaborative planning is to balance the obligations on individual businesses with the greater good of the SEQ community through whole-of-grid outcomes. For the GSPs this should be somewhat simplified by the fact that they have the same owner. This should make it simpler to accommodate reduced "profits" by one organisation if there is an improved overall benefit across all the SEQ Water Grid entities (ie the GSPs and the SEQ WGM).

Decisions

GSPs are required to submit strategic and operational plans to the responsible Minister's every year. The operational plans must contain:

- an outline of the nature and scope of the activities proposed to be undertaken by the entity during the financial year
-

Working in Here

Individual capital proposals that:

- are required to meet contractual or regulatory obligations;
- improve the efficiency of operations; or
- are required for some other reason to ensure sustainable water supply outcomes can be delivered;

will be specified in the annual strategic and operational plans prepared by the various organisations. These are submitted to the Responsible Ministers (currently the Minister for Energy and Water Utilities, and the Treasurer) by the end of March each year, for their agreement.

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The Price Regulator determines:

- the grid service charges to be paid to the Grid Service Providers for providing declared water services; and
- the bulk water prices for potable water, raw water and purified recycled water.

Under the Market Rules for the SEQ Water Market, the Price Regulator is the State of Queensland. The Minister responsible for the *Water Act 2000* (Chapter 2A, Part 5A) is currently the State's nominated agent.

The QCA has been directed to investigate grid service charges to apply from 1 July 2011 until 30 June 2012 and provide advice on the charges to the Price Regulator.

Under current arrangements, the GSPs provide draft strategic and operational plans to the responsible Ministers at the end of March, each year.

There are currently no plans in place to amend this process.

The SEQ Water Grid Manager is required to provide advice to responsible Ministers on the need for proposed new and replacement capital expenditure across the SEQ Water Grid. The advice forms part of the annual operational planning process and must take into account contractual requirements and a whole of Grid perspective. The advice is sought in relation to proposed expenditure on infrastructure (including information technology) that delivers new capacity to the Water Grid or involves renewals at a cost of \$2 million or more.

Commercial

Grid Contract Documents have been made between the SEQ Water Grid Manager and the Grid Service Providers (Seqwater, WaterSecure and Linkwater) by the responsible Minister. The contract documents are for the supply of declared water services pursuant

to section 360ZDD(1)(a) of the *Water Act 2000*. The Grid Contract Documents sit below the Market Rules in the hierarchy of statutory instruments.

Amendments to the *Water Act 2000* will come into place from 1 July 2011 which will:

- deem the current grid contracts to be Negotiated Contracts;
- allow the WGM to enter into other Negotiated Grid Contracts with new grid service providers or customers;
- allow for the introduction of default grid contracts; and
- allow for the clarification of mandatory and negotiable terms by way of the Default Grid Contract.

Delivery

Seqwater-WaterSecure or Linkwater currently deliver infrastructure in accordance with the approved plans authorised by the responsible Ministers.

4.3 Interactions between GSPs and Others

For Seqwater-WaterSecure and Linkwater there are several critical interactions with each other and other parts of the Framework which occur:

1. When a GSP identifies a need through routine planning processes, there is always potential that the optimum solution may involve another grid participant.

In some cases, a need that is clearly identified by a particular party may be best resolved by a collaborative planning approach by multiple grid participants. Such as example may be if a water treatment plant is reaching the end of its life, consideration should be given to bulk transport solutions as well as replacement options for water treatment plant. Each case will be specific and unique, but the questions should always be asked – will collaborative planning with other organisations improve the outcomes for the grid as a whole?

OR

2. When the WGM cannot meet a Retailer's needs operationally and there is an apparent need to expand access to bulk water supplies.

Over time, as growth patterns change in SEQ, there will be changing needs in relation to where bulk water is delivered – both in terms of volume of water available and the ability to move it to where it is needed. If the WGM cannot meet the needs of its customers (the DRs) operationally, then the WGM must in turn seek improved or alternative arrangements from the GSPs. It is anticipated that in most situations Seqwater-WaterSecure and Linkwater will need to collaborate to identify the most efficient solution to the WGMs needs. In some cases, this will also require involvement from the DRs, as owners of the water distribution networks.

OR

3. When QWC identifies solutions to regionally significant needs that can be efficiently implemented by Seqwater-WaterSecure or Linkwater.

As per discussion in Section 3.3 related to DRs, the same may occur for the GSPs. Further discussion on planning for regionally significant needs is located in Section 6.3.

5. THE WGM'S ROLE

The WGM operational planning processes are summarized in Figure 4

Figure 4 The WGM's role in the Framework

5.1 Introduction to the Water Grid Manager

The primary functions of the SEQWGM are described in the *South East Queensland Water (Restructuring) Act 2007*. The SEQWGM's primary roles are to buy water services and sell water.

The South East Queensland Water Grid Manager (SEQ WGM) holds the allocations for water for urban use in SEQ. The WGM purchases services from Seqwater-WaterSecure for the treatment and manufacture of water, and from Linkwater for the transport of bulk water. The WGM then sells the treated and delivered water to the three distributor-retailers. The WGM also has specific responsibilities under the Market Rules and System Operating Plan including issuing monthly grid instructions to guide the operation of the SEQ Water Grid and coordinating risk management across the Grid. The WGM does not own any assets directly related to the production or transport of water.

In relation to planning and delivery of water infrastructure in SEQ, the WGM has a critical role to ensure that the Grid is operating as efficiently and cost-effectively as possible. This in turn ensures that decisions to expand or augment the Grid are appropriately timed and scaled. The WGM's role is undertaken/exercised/realised through their contractual relationship with both the GSPs and the DRs, through the development of the Water Grid Operating Strategy and monthly operating instructions, and through advice provided to the Minister and Treasurer in regards to capital expenditure proposals presented by Seqwater-WaterSecure and Linkwater.

The WGM's role in operational and economic decision-making and how they interact with the Queensland Water Commission are discussed below.

5.2 WGM's Role in Operational Decision- Making

The WGM performs many critical functions specifically related to how the SEQ Water Grid is operated. The WGM must seek to optimise the efficient and cost-effective operation of the water supply works to deliver the required volumes of water.

The WGM issues instructions to GSPs (and in some cases the DRs) describing what bulk water supplies are used to meet water demands throughout the region. These instructions are issued in accordance with the requirements of the System Operating Plan, the approved Operating Strategy for the SEQ Water Grid, the Market Rules and the Water Resource Planning requirements across the region.

5.3 WGM's Role in Economic Decision- Making

The SEQ Water Grid Manager is required to provide advice to responsible Ministers on the need for proposed new and replacement capital expenditure across the SEQ Water Grid. The advice forms part of the annual operational planning process and must take into account contractual requirements and a whole of Grid perspective. The advice is required in relation to proposed expenditure on infrastructure (including information technology) that delivers

new capacity to the Water Grid or involves renewals at a cost of \$2 million or more. The Ministers have not sought the WGM's advice in relation to the outcomes of detailed planning investigations by the Queensland Water Commission for regionally significant projects. Discussion on the QWC's planning processes follows in Section X.x.

Context – as price regulator

The WGM acknowledges that Seqwater-WaterSecure and Linkwater will continue to have responsibility and accountability for the management of their asset portfolios and related asset management decisions. However, the WGM will assess each individual capital proposal over \$2 million, to ensure prudence from a whole-of-grid perspective.

In the lead-up to the March submission date for draft strategic and operational plans, the WGM will seek information from each GSP on the proposed capital expenditure. Details sought will include - scope, cost, timing, need and alternatives considered. The WGM will then engage in discussions with the entities separately or collectively, as required.

The WGM provides its advice to the Ministers in its own strategic and operational plan submission.

5.4 Interactions between the WGM and Others

Since the WGM has the contractual relationship with the DRs, they are in a unique position to monitor the changing demand patterns across the entire region.

If there is a single or combined need that may significantly affect the Grid's ability to continue to deliver the desired level of service objectives for the region, then the WGM would need to refer the matter to the Queensland Water Commission for consideration, as regionally significant. This process is discussed further in Sections 6.2, 6.3 and 6.4.

If the needs are not considered regionally significant, then the WGM may in turn need to approach Seqwater-WaterSecure and Linkwater to determine how best to meet the needs, as per the process described in Section 4.3.

6. THE FRAMEWORK FOR REGIONALLY SIGNIFICANT INFRASTRUCTURE

The Planning & Delivery Framework for Regionally Significant Infrastructure is presented in below.

Figure 5 The Framework for Regionally Significant Infrastructure

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6.1 Introduction to the Queensland Water Commission

The Queensland Water Commission (the Commission) is the primary organisation to provide advice to the Queensland Government on achieving water security in SEQ.

The Commission provides much of its advice to the Government through the South East Queensland Water Strategy and the advice on regional water security options. Based on the advice, the Government makes a revised Regional Water Security Program for South East Queensland. The Commission has responsibilities for implementation of the program. The Commission also makes and administers the SEQ System Operating Plan which directs and supports operational decisions regarding the achievement of level of service objectives for the region. The Commission's role is set out in the *Water Act 2000*.

6.2 Regional Significance

A project is considered regionally significant if it contributes to achieving a desired outcome for the region as described in the SEQ Regional Plan.

The Queensland Water Commission has a particular interest in any projects that significantly affect the ability of the SEQ Water Grid to achieve the desired level of service objectives for the region. Such water projects will be known as "regionally significant". Further discussion on the level of service objectives can be found in **Appendix 2**.

The Commission acknowledges that there is a need to more quantitatively define a regionally significant project. The Commission is currently working to provide guidance on what is regionally significant. Consideration is being given to impacts on achieving the LOS objectives in terms of estimated timing and cost of future supply infrastructure.

6.3 The Framework for Regionally Significant Matters

The following description follows the steps previously described in Section 2.2 to demonstrate how decisions are most likely to be made by QWC in relation to regionally significant infrastructure.

Drivers & Needs

The Regional Plan 2009-2031 aims to ensure that water in the region is managed on a sustainable and total water cycle basis to provide sufficient quantity and quality of water for human uses and to protect the environment.

QWC will focus its planning activities on ensuring regionally significant infrastructure is delivered across the SEQ region in a timely and cost effective manner.

The Commission will prepare and publish a Statement of Water Needs SEQ (SOWN) following each review of the SEQ Water Strategy or more frequently if required. The SOWN will be developed on the basis of the Strategy, including the water balance models that underpin it, with input from the SEQ Water Grid Manager and the other Bulk Water Entities, particularly through grid capability statements.

The SOWN will clearly describe strategic water requirements over the short- to medium-term and may identify the following types of regionally significant needs:

- an improvement to water quality within the region, such as feed water or treated water quality;

- an increase in the volume of water available in the region, including broad identification of the scale and location of the augmentation; or
- an improvement to system performance, such as the coverage of the SEQ Water Grid or the degree of interconnectedness.

The SOWN is expected to include reference to the ongoing need to improve the cost of delivering the level of service objectives and when required it will also include reference to institutional arrangements required to facilitate regional water security.

Is the SOWN limited to Category A water??

The QWC will seek endorsement of the Statement of Water Needs by the Government, to ensure it is aligned with current policies and strategies for SEQ. The Statement of Water Needs will then be released publicly with a timetable for the project selection process that follows.

Solutions

The Commission is developing a process to support the preparation of advice to the Minister on regional water security options. The Commission considers the process should be open, inclusive and adaptive to new information over time. The process has been developed with a separation of the needs analysis and the solution identification. This aligns with the general arrangement of the Planning & Delivery Framework. The process will follow from the SEQ Water Strategy and its regional water balance. The best portfolio of options identified by the process will form the basis of advice to the Minister. The process is presented schematically in Figure 6 below. Further detailed discussion on the process is presented in **Appendix 3**.

Decisions

The QWC is required to provide advice to the Minister on regional water security options. The advice must address the following issues:

- the desired level of service objectives
- demand management for the region
- water supply or sewerage works for achieving the desired level of service objectives
- an assessment of the likely costs and pricing implications of the works
- the preferred ways of sharing the cost of the works.

After completing the options selection process, the QWC will provide advice to the Minister on the outcomes sought, options considered and the recommended projects to be adopted in the Regional Water Security Program. The Commission may include recommendations on the procurement strategy and the final ownership of assets. It will seek guidance on these matters from appropriate agencies and stakeholders.

QWC may identify that smaller projects in the portfolio can most simply be delivered by the DRs or GSPs, without the need for inclusion in the RWSP. In this case, the grid participants would use the existing decision arrangements to progress the implementation of the projects.

Commercial & Delivery

Based on the advice on regional water security options, the Minister makes a revised Regional Water Security Program (RWSP) for SEQ.

Under the *Water Act 2000*, the Commission has an obligation to ensure that the key actions and responsibilities of the RWSP are implemented. The implementation of the Minister's program, so far as it relates to the provision of major infrastructure, will be

facilitated by the application of the provisions of the *State Development and Public Works Organisation Act 1972*. The Commission will assist and cooperate with the Coordinator General in the performance of his/her duties. However, the Coordinator General would be responsible for the major infrastructure in accordance with the provisions of the SDPWO Act.

As with any major infrastructure project, the normal process of project approvals (environmental, financial etc) would proceed in accordance with the Government's Project Assurance Framework.

Once construction is complete the asset may be transferred to one of the Bulk Entities or possibly one of the Distribution-Retail Entities. The decision on the final ownership of assets will be based on a set of published principles, aligned with those developed for the original transfer of assets when the SEQ Water Grid was set up. The current institutional arrangements also allow for ownership by third parties.

Once an asset is transferred, it would be allowed into the entity's regulated asset base, and must be accepted by the Price Regulator/Economic Regulator.

6.4 Interactions between the QWC and Others

There are two key points of interaction between the QWC's regionally significant focussed planning and other parts of the Framework:

1. Where the combined needs of the DRs create a regionally significant need;

The Statement of Water Needs process is intended to be the principle avenue for identifying and addressing regionally significant water needs. However, it is possible that a suite of increased demand requests could be made by one or more DRs to the WGM (beyond expectations) to the point where the ability of the Grid to achieve the LOS may be compromised. In this case, the WGM would be requested to bring the matter to the Commission's attention for immediate consideration.

OR

2. Where projects identified to address or defer regionally significant needs do not warrant inclusion in the Regional Water Security Program.

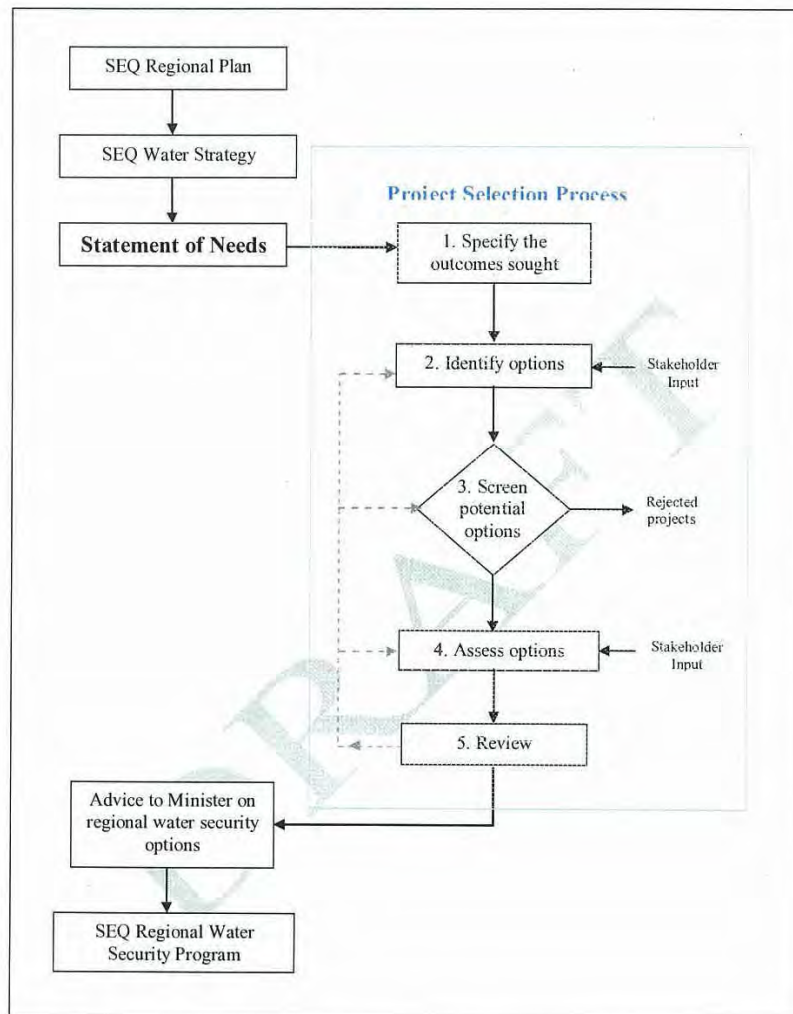
In following the process to address regionally significant needs, the Commission may:

- Identify preferred project solutions that do not require significant capital expenditure eg demand management measures; or
- Small scale projects that can delay significant expenditure.

In either of these cases the Regional Water Security Program may not be the most appropriate decision and implementation pathway. There are likely to be occasions when some combination of the grid entities, that is Seqwater-WaterSecure, Linkwater or the distributor-retailers, may provide a more appropriate and/or effective pathway.

QWC need guidance on when this might be appropriate – can't use State Significance, not clearly defined. Turn around the regionally significant def used by WGM to send projects to QWC???

Figure 6. The Statement of Water Needs Process



7. THE INTEGRATED FRAMEWORK

Figure 7 presents a more detailed schematic representation of the Framework for Planning and Delivery of Water Infrastructure in SEQ, showing all the major interconnections.

Figure 7 Details of the Planning and Delivery Framework steps and processes

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Discussion ??

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8. OTHER

8.1 Further Development

During the development of this Framework a range of issues have been identified that require clarification, amendment or further development to facilitate the smooth implementation of the Framework and achieve the Framework objectives.

The issues are listed below:

- How does the Framework interact with other planning processes in particular the Urban Land Development Authority?
- Clarify the role and content of SAMPs in SEQ and the role of an asset regulator.
- Prepare service standards and specifications.
- Simplification and alignment of State regulations and policies as they apply to the SEQ water businesses.
- Clarify/reach agreement on what demand forecasts should form the basis of the planning activities
- Clarify the definition of regionally significant infrastructure and where the QWC has an interest.
- Preparation and issue of the Statement of Needs
- Guidance material on how joint or collaborative planning will be undertaken.
- Principles for asset ownership

Many of these matters are currently being developed or investigated and will in due course be made clear.

8.2 Future Directions –

Changes to economic regulation – already discussed
Asset regulation – does this matter?

8.3 Transitional / Interim Arrangements

The framework only describes what already exists. There is no need for transitional arrangements as such.

Appendices

1. Netserv Plans
2. Level of Service Objectives
3. Planning for Regionally Significant Projects

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APPENDIX 1. NETSERV PLANS

In accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, as of 1 June 2010 new arrangements will start to be introduced for water distribution networks, wastewater collection networks or wastewater treatment plants in SEQ.

Each distributor-retailer will be required to have a Water Netserv plan in place from 1 July 2013. The Water Netserv plan will set out details of the distributor-retailer's water and wastewater networks and provision of its water and wastewater services, including planning for:

- strategic business operations;
- delivering infrastructure within at least a 20 year time horizon;
- delivering a safe reliable and secure water and wastewater service;
- integrating land use planning by the State and local governments; and
- managing the water and wastewater services in a way that seeks to achieve ecological sustainability.

The water netserv plan will bring together or replace the following current material:

- local government planning schemes, Priority Infrastructure Plans and Planning Scheme Policies, as per *Sustainable Planning Act 2009*,
- strategic asset management plans, system leakage management plans, drinking water quality management plans, customer service standard, water or sewerage service areas declared by a local government, recycled water management plans, outdoor water use conservation plans, as per the *Water Supply (Safety and Reliability) Act 2008*; and
- total water cycle management plans, sewage management plans and trade waste management plans, as per the *Environmental Protection (Water) Policy 2009*.

Each water netserv plan is to have two parts, Part A and Part B. This is to provide for the differences between components of the plan in terms of scope, planning processes, requirements for endorsement or approval by other entities and for public access.

Part A of the Plan provides for the strategic direction and business planning for the distributor-retailer, underpins decisions on applications to connect to water infrastructure and provides for a charging regime. Part B provides for the operational and technical details of how to deliver on those directions. Part B also brings together much of the content that a water service provider is currently required to provide in a range of separate plans under the *Water Supply Act* and the *Water EPP*.

A distributor-retailer, in making its water netserv plan, is required to have regard to relevant water and wastewater planning documents for the SEQ region. Examples of such documents include the SEQ water strategy, SEQ infrastructure plan and program, SEQ regional water security program and any sub-regional total water cycle management plans.

A distributor-retailer must have regard to the most efficient cost asset cycle planning for the distributor-retailer's business. It must also have regard to total water cycle management plans made by its participating local governments pursuant to the *Environmental Protection (Water) Policy 2009*, and any guidelines made by the Queensland Water Commission about plan-making.

APPENDIX 2. LEVEL OF SERVICE OBJECTIVES

The level of service objectives (LOS) provide a basis for establishing a secure water supply. The objectives define:

- the desirable maximum frequency, duration and severity of water restrictions
- the average amount of water per capita that must be supplied in normal times.

The objectives are used to determine the volume of water that can be supplied from the SEQ Water Grid, on average, every year – this is the LOS system yield. The LOS system yield is used, together with the projected demands, to ensure that supply and demand initiatives are put in place to meet future water needs.

When the LOS system yield exceeds demand, there is a lower likelihood of triggering restrictions than is specified in the LOS objectives. When demand exceeds the LOS system yield, there is a higher likelihood that restrictions will be triggered.

The desired LOS objectives adopted by the Government are articulated in the Regional Water Security Program (described in detail following). The LOS objectives for the supply of water in SEQ are:

- During normal operations, sufficient water will be available to meet an average total urban demand of 375 litres per person per day (including residential, non-residential and system losses), of which 230 litres per person per day is attributed to residential demand.
- Sufficient investment will occur in the water supply system with the objective of ensuring that :
 - medium level restrictions will not occur more than once every 25 years on average
 - medium level restrictions need only achieve a targeted reduction in consumption of 15 per cent below the total consumption volume in normal operations
 - the frequency of triggering drought response infrastructure will be not more than once every 100 years on average
 - the frequency that the total volume of water stored by all key water grid storages will not decline to 10 per cent of their combined total water storage capacity more than once every 1000 years on average
 - the total volume of water stored by all key water grid storages must not be permitted to reach five per cent of the combined total water storage capacity of these storages Wivenhoe, Hinze and Baroon Pocket dams must not be permitted to reach minimum operating levels.
- It is expected that medium level restrictions will last longer than six months no more than once every 50 years on average.

APPENDIX 3. PLANNING FOR REGIONALLY SIGNIFICANT PROJECTS

A3.1 Project Selection Process

Following release of a Statement of Needs for the SEQ Water Grid, the Commission must identify regional water security options and provide advice to the Minister for inclusion in the Regional Water Security Program. The Commission aims to do this in a transparent, inclusive and robust manner with appropriate engagement with all stakeholders. The process developed to select a project for recommendation to the Government considers environmental, social and economic factors and includes least cost planning principles to ensure proper economic comparison of all options, regardless of the scale or complexity of the option. The process was developed within the context of the Queensland Government's Project Assurance Framework.

This process applies to development of new regionally significant projects only. Regionally significant projects generally involve expansion of the capability of the SEQ Water Grid to ensure the LOS objectives can be achieved throughout the region, while operating in accordance with all relevant legislation.

The process will provide an opportunity for the QWC to consider and assess a range of proposed solutions prior to it providing advice to the Minister. This includes projects identified by the QWC through its own investigations or proposed by other entities or parties. The process is intended to ensure that options are compared on an objective, transparent and like basis, including both large and small scale projects.

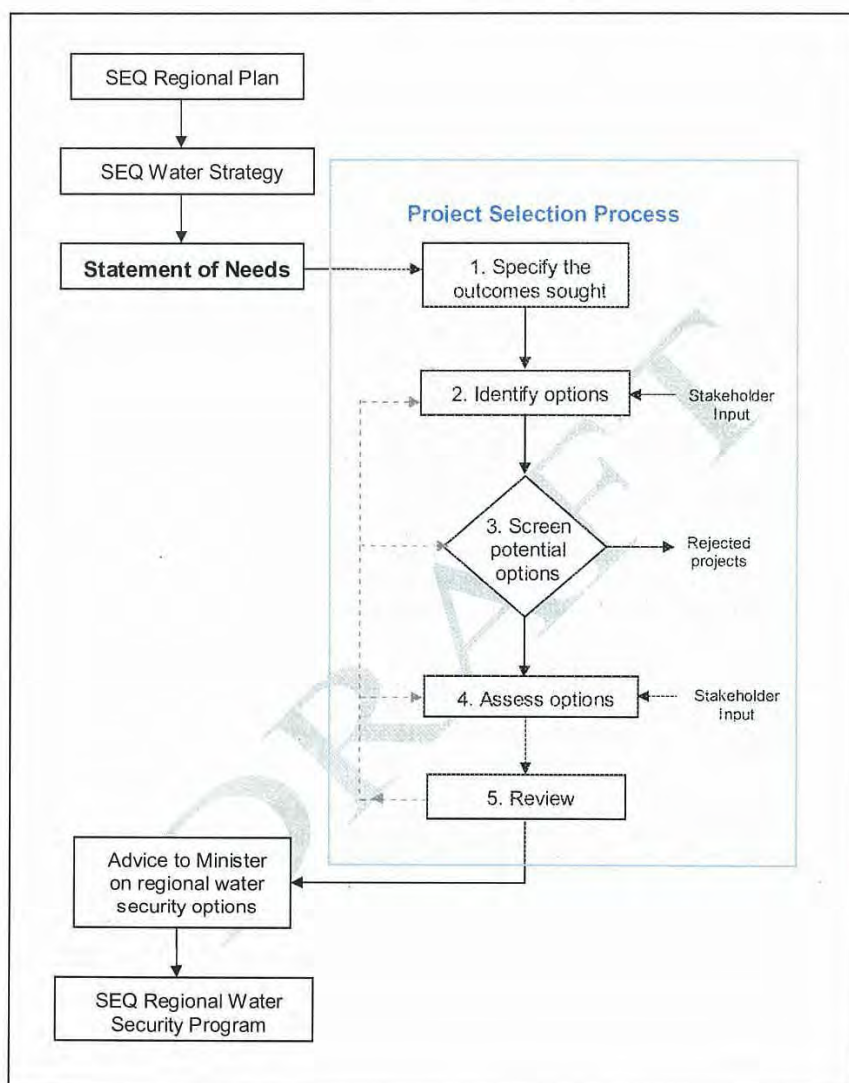
The process is explained below and illustrated in Figure 8. It is consistent with the Queensland Government Project Assurance Framework. It considers environmental, social and economic factors and is based on least cost planning principles, ensuring proper comparison of all options, regardless of scale or complexity.

In applying the process, the QWC will seek input to the process from professionals with appropriate expertise, as well as from a stakeholder reference group. This group will be established from key community and government stakeholders in SEQ who are likely to have an interest in the outcomes sought.

The assessment of projects will be based on the incremental benefits they could provide for the SEQ Water Grid as a whole. For example, an assessment could consider the benefits of increasing the operating level of Wivenhoe Dam in terms of the yield of the SEQ Water Grid as a whole, rather than the yield of the dam operating on a stand-alone basis.

All proposals will need to meet specified minimum requirements, such as compliance with water quality legislation and regulation and water resource planning. The assessment will also take into account existing Queensland Government policy, such as the use of purified recycled water as an emergency source of supply only.

Figure 8. Project Selection Process



The key stages of the project selection process are:

1. Specify the outcome sought

Before potential solutions can be identified, the outcome sought from the statement of needs should be further scoped to give it structure and boundaries. The outcomes should also address the level of the needs and identify external linkages, dependencies and prerequisites likely to be of significance.

The boundaries of the assessment, the fatal flaws, criteria and weightings will all be defined. The selection of criteria will focus on those that differentiate between the proposed projects. The selection of fatal flaws and weighting of criteria will depend on the circumstances at the time, particularly whether it is a planned augmentation or drought response.

2. Identify potential options

At this stage, the QWC will invite proposals for projects to meet the specified outcomes sought. Depending upon the outcomes sought, proposals may be sought from:

- one or more of the existing water service providers in SEQ, such as to improve existing water quality standards; or
- any interested parties, such as for additional supply capacity.

Based on the proposals received, a range of solutions that have the potential to achieve the outcomes sought will be identified. Both supply- and demand-based solutions will be considered, where appropriate. Particular consideration will be given to relevant sub-regional total water cycle management plans and drought response plans.

3. Screening potential options

If a large number of options are identified, these will be screened to identify the options with the greatest potential to provide value-for-money solutions. Screening for fatal flaws will be undertaken first, followed by further assessments against specified criteria.

4. Assess potential options

The detailed assessment of potential options will be done in phases. The short list of options will be assessed against the identified suite of criteria using both qualitative and quantitative data. Additional information will be sought if required to complete this phase. Cost estimates and economic assessments will be undertaken as part of the assessment.

A preferred project will be identified following this stage.

Where multiple needs have been identified and more than one project is being identified for implementation, the group of preferred projects will be assessed as a whole. This will ensure that an integrated suite of projects is recommended for implementation to provide the best outcome for the region.

5. Review

Peer review and third party assurance will be undertaken by appropriately skilled professionals. Where projects are complex, one or more expert panels might be assembled and utilised to support the project selection and review processes.

A3.2 Improvement Activities

The Commission has identified several areas of this process that require improvement or refinement. These are:

- How to manage inputs to SOWN.

- How do entities support QWC and provide information into this process? How are the resource requirements recognised?
- Are there appropriate legal powers/funding arrangements for the Commission to undertake detailed enquiries to support robust, high quality portfolio identification in advance of an approved RWSP?
- What are the policy and statutory implications of seeking private sector input into the process (options identification and review)?
- What are the criteria for assessment?
- How will the drought response component of planning be managed.

DRAFT

Our ref: D/10/050826

22 OCT 2010

COPY

Mr Barry Dennien
Chief Executive Officer
SEQ Water Grid Manager
PO Box 16205
CITY EAST QLD 4002


Dear Mr Dennien**South East Queensland Bulk Water Supply Network Model**

As discussed at the Chairs and CEO's meeting on 12 August 2010, the Queensland Water Commission will be undertaking a project to refine and finalise the South East Queensland (SEQ) Bulk Water Supply Network Model for use by all SEQ water entities. This model was initially developed by Cardno with further work undertaken by MWH and WorleyParsons. I understand a number of entities are currently using versions of this model.

Mr Rolf Rose and Mr Ken Pearce from the Commission met with Mr Daniel Spiller from your office to discuss the model and determine whether the SEQ Water Grid Manager would support its development. It was indicated access to the model would be of benefit to your organisation and they considered the SEQ Water Grid Manager would be prepared to provide support and data for its development. Similar support was indicated at meetings with other entities.

The existing model covers the bulk supplies, bulk transmission mains operated by Linkwater and extends to major distribution nodes owned and operated by the Distributor-retailer entities. Part of refining the model will be to determining the extent of node points so the model has the maximum benefit to all entities but is still manageable in its operation. It is considered this would be best determined with input from all entities. The information required will include details to verify components of the model such as pipe details, operating conditions and demand information. This could also be obtained from a skeletal version of your distribution model.

It is envisaged the model would provide a mechanism for addressing sub-regional planning issues on a collaborative basis.

The model is anticipated to be available by June 2011. You will be provided with a copy of the model, together with the associated supporting documentation.

To progress the project it is proposed to establish a Project Management Team comprised of members from all SEQ water entities. A copy of the draft Terms of Reference for the Project Management Team is attached for your information.

The Project Management Team will be established at an early stage to review and agree on the project terms of reference, and address the terms of reference for engagement of a consultant by the Commission.

It is proposed to hold the first meeting of the Project Management Team on Wednesday 17 November 2010. Therefore, I invite you to nominate a representative to:

Mr Ken Pearce
Bulk Water Supply Network Model Project Manager
Queensland Water Commission
PO Box 15087
CITY EAST QLD 4002

Further information and meeting papers will be provided to your representative prior to the meeting.

If you require any further information, please contact Mr Ken Pearce, Bulk Water Supply Network Model Project Manager, on telephone [REDACTED]

Yours sincerely

[REDACTED]
Ms Karen Waldman
Chief Executive Officer

TERMS OF REFERENCE

FOR

SEQ Bulk Water Supply Network Model Project

Version 1

30 September 2010

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Endorsement

These Terms of Reference have been endorsed by:

SEQ Water Entity	Representative	Position	Signature
QLD Water Commission			
SEQ Water Grid Manager			
LinkWater			
QLD Urban Utilities			
UnityWater			
Allconnex Water			
SEQWater			
WaterSecure			

1 INTRODUCTION

The Queensland Water Commission (QWC) is refining its SEQ Bulk Water Supply Network Model (Model) so that it can be utilised by SEQ water entities. The Model was developed by Cardno in 2006; reviewed and modified by MWH in 2008, and refined further in 2009 by WorleyParsons.

2 BULK WATER SUPPLY NETWORK MODEL

The existing Model covers the bulk supplies, bulk transmission mains operated by Linkwater and extends to major distribution nodes owned and operated by the distributor-retailer entities. Part of refining the Model will be to determine the extent of node points so that the Model has the maximum benefit to all entities but is still manageable in its operation. It is considered that this would be best determined with input from all entities. The information required will include details to verify components of the model such as pipe details, operating conditions and demand information. This could also be obtained from a skeletised version of distribution models.

3 THE PROJECT

The Project involves:

1. Formation of a Project Management Team to oversee model development and address policy issues;
2. Engagement of a consultant to provide expert advice and assistance;
3. Collection of information on bulk water supply assets; and demands for water;
4. Development of the Model; and
5. Development of a process for the ongoing maintenance of the Model.

4 SEQ WATER ENTITIES

The following agencies will be formally invited by QWC to participate.

- ❖ SEQ Water Grid Manager
- ❖ Seqwater
- ❖ WaterSecure
- ❖ LinkWater and LinkWater Projects
- ❖ Queensland Urban Utilities;
- ❖ Unitywater; and
- ❖ Allconnex Water

Agencies will be asked to:

- ❖ Appoint representatives to the Project Management Team;
- ❖ Provide information on their bulk water supply assets; and
- ❖ Establish the level and diurnal distribution of demand for water from their assets over the specified planning horizon.

5 PROJECT MANAGEMENT TEAM

The Project Management Team shall:

- ❖ Review the Project TOR;
- ❖ Develop model policy;
- ❖ Identify operational issues; and constraints;
- ❖ Consider standards of service, peaking factors, peak flow entitlements etc; and
- ❖ Review work by the consultant.

An Agency may have more than one person on the Management Team at its own discretion; however, can only have one representative.

Management Team decisions **do not bind** Agencies.

6 AGENCY REPRESENTATIVES

Agency Representatives shall:

- ❖ Represent their Agency on the Project Management Team;
- ❖ Manage the participation of appropriate staff from their Agency;
- ❖ Provide information on their Agency's bulk water supply assets and demands;
- ❖ Ensure that the needs of their organisation are being met by the Model; and
- ❖ Submit Management Team recommendations to their Agency.

7 QUEENSLAND WATER COMMISSION

The Water Commission will:

- ❖ Manage the Project;
- ❖ Formalise establishment of the Management Team;
- ❖ Chair the Management Team;
- ❖ Provide the secretariat for the Management Team;

- ❖ Maintain the Program;
- ❖ Facilitate development of the Model;
- ❖ Engage a consultant to undertake work;
- ❖ Develop an audit reporting framework to track model update and validation work;
- ❖ Prepare any necessary documentation, e.g. register of version numbers and model changes;
- ❖ Be the custodian of the Model; and
- ❖ Facilitate updating of the Model.

8 PROJECT MILESTONES

Target	Activity
Wednesday 17 November 2010	Workshop where QWC will present on the issues; and the current model.
End June 2011	Model available.

9 COSTS

Agencies shall meet their own costs. The Commission shall meet the costs of engaging a consultant; and preparing the necessary documentation.

10 ENQUIRIES

All enquires pertaining to these Terms of Reference are to be directed to the Project Manager, Mr Ken Pearce. [QWC] Mr Pearce can be contacted on:

Telephone: 3405 0564 Email : Ken.Pearce@qwc.qld.gov.au



Hon Stephen Robertson MP
Member for Stretton



Queensland
Government

Minister for Natural Resources,
Mines and Energy and
Minister for Trade

Ref CTS 17750/10

RECEIVED
23 OCT 2010

20 OCT 2010

Ms Mary Boydell
Commissioner
Queensland Water Commission
PO Box 15087
CITY EAST QLD 4002

Dear Ms Boydell

I write to inform you of correspondence I have recently sent to the chairs of WaterSecure, Seqwater and LinkWater regarding the planning and approval process for capital expenditure.

The *South East Queensland Water Strategy* highlighted that water supply for South East Queensland (SEQ) is secure for the short to medium-term, due to the construction of the Water Grid and water storages being at or near full capacity.

Given this situation, as responsible Ministers, the Treasurer and I wish to ensure that capital expenditure occurs only when necessary, and only after all operational solutions have been considered.

To that end, I have requested that the SEQ Water Grid Manager provide advice to responsible Ministers on the need for proposed new and replacement capital expenditure as part of its annual operational planning process, taking into account contractual requirements and from a whole of Grid perspective. Specifically, we seek its advice that:

- there is a clear and appropriate need for proposed expenditure, and
- a full range of options have been considered, including alternative ways of operating the Water Grid and utilising existing infrastructure.

This advice is sought in relation to proposed expenditure on infrastructure and information technology projects that deliver new capacity to the Water Grid, or involve renewals at a cost of \$2 million or more. It excludes previously committed projects, including those listed in Part 8 of the *Water Regulation 2002*. It also excludes the outcomes of detailed planning investigations by the Queensland Water Commission for regionally significant projects, such as the potential new sources of supply listed in the Strategy.

Level 17
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Queensland 4002 Australia
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From 2011-2012, entities are required to provide advice on expenditure that meets the criteria outlined above to the SEQ Water Grid Manager as part of annual operational planning processes, and on an ongoing basis as required throughout the year. This will complement a review by the economic regulator of whether proposed expenditure is prudent and efficient, such as was undertaken by the Queensland Water Commission as part of the current pricing determinations.

In the current financial year, for which capital budgets have already been approved, entities should seek confirmation from the SEQ Water Grid Manager regarding the need for expenditure prior to entering into any contracts for supply.

It should be noted that the Investment Guidelines that form part of the *State Water Authorities Governance Framework* will be updated to reflect the arrangements outlined above.

I have requested that the Chair of the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011-2012, in consultation with Grid Service Providers.

The new role of the SEQ Water Grid Manager builds on its current responsibilities with regard to managing the operation of the Water Grid in the most efficient and effective manner, consistent with the *South East Queensland System Operating Plan*, *The Market Rules SEQ Water Market* and associated legislative and regulatory requirements. In preparing its advice, the SEQ Water Grid Manager will also be informed by the *SEQ Water Grid Operating Strategy* and *SEQ Water Grid Quality Management Plan*, as approved by the Queensland Water Commission.

Should you have any further enquiries, please do not hesitate to contact Mr John Bradley, Director-General, Department of Environment and Resource Management on telephone [REDACTED] or by email at [REDACTED]

Yours sincerely



STEPHEN ROBERTSON MP

Waldman Karen

From: Barry Dennien [REDACTED]
Sent: Tuesday, 26 October 2010 7:45 AM
To: Waldman Karen
Subject: FW: Re: Draft Agenda for Chairs & CEO's Meeting 11 November 2010
Follow Up Flag: Follow up
Flag Status: Completed
Attachments: Meeting of Chairs and CEOs Agenda, 11 November 2010.DOC; Min Stephen Robertson re SEQWGM s role in planning and approval process for capex for the Water Grid.PDF

Hi Karen

Given the attached agenda, can we also discuss on Thursday the item on planning given the Minister's letter on the capital planning and approvals for the bulk water assets.

Barry

From: Gina O'Driscoll
Sent: Monday, 25 October 2010 6:21 PM
To: Barry Dennien
Subject: FW: Re: Draft Agenda for Chairs & CEO's Meeting 11 November 2010

From: McMaster Rosemarie
Sent: Thursday, 21 October 2010 3:23 PM
To: Dennien Barry [REDACTED]
Subject: FW: Re: Draft Agenda for Chairs & CEO's Meeting 11 November 2010

Dear Chairs and CEOs

Please find attached the draft Chairs and CEOs meeting agenda for Thursday 11 November 2010 for your comments and any additional items.

Kind Regards

Mary Boydell
Commissioner
Queensland Water Commission

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28/04/2011

Meeting of Chairs and CEOs Agenda

Location Conference Rooms - Level 16, 53 Albert Street
Date Thursday, 11th November 2010 commencing at 2:00pm
Time 2.00pm – 4.00pm

ITEM	TIME	SUBJECT	ORGANISATION
	2:00pm – 2:10pm	Chairs only	Chairs
	2:00pm – 2:10pm	CEOs only	CEOs
1.	2:10pm – 2:25pm	Roles and Responsibilities	CEOs
2.	2:25pm – 2:40pm	Grid Contracts Review/Operating Protocols - Update	QWC
3.	2:40pm – 2:55pm	Strategic Risk Assessment	QWC
4.	2:55pm – 3:10pm	Planning Framework - Update	QWC
5.	3:10pm – 3:25pm	Grid Communications - Update	WGM
6.	3:25pm – 4:00pm	General Business	
7.	4:00pm	CLOSE	
		MEETINGS 2011 ○ Thursday, 10 February 2011 commencing at 2.00pm ○ Thursday, 12 May 2011 commencing at 2.00pm ○ Thursday, 11 August 2011 commencing at 2.00pm ○ Thursday, 10 November 2011 commencing at 2.00pm	

Meeting of Chairs and CEOs 11 November 2010

Issues raised for action

ITEM	SUBJECT	RESPONSIBLE	STATUS
1.	QWC's Strategic Risk Assessment – Provide CEOs with terms of reference	QWC	Complete
2.	QWC's Planning and Delivery Framework- Set workshop date as soon as possible	QWC	Complete
3.	Grid Communication – Engage CEOs in development of stakeholder strategy	WGM	
	MEETINGS 2011 ○ Thursday, 10 February 2011 3-5pm ○ Thursday, 12 May 2011 3-5pm ○ Thursday, 11 August 2011 3-5pm ○ Thursday, 10 November 2011 3-5pm		

Waldman Karen

From: Waldman Karen
Sent: Monday, 1 November 2010 6:20 PM
To: Dennien Barry [REDACTED]
Cc: 'Mary Boydell'
Subject: RE: Meeting tomorrow RE Planning letter

Hi Barry

Mary is going to suggest that we meet on Friday with you and Gary about Planning, possibly before our other meeting. I will talk to you in the morning. I may be about ten minutes late.

Regards, Karen.

From: Barry Dennien [REDACTED]
Sent: Monday, 1 November 2010 5:50 PM
To: Waldman Karen
Cc: Humphrys Gary [REDACTED]; Odriscoll Gina [REDACTED]; spiller daniel [REDACTED]
Subject: Meeting tomorrow RE Planning letter

Hi Karen

As input to tomorrow's meeting Gary and I thought it best to attach a very draft letter and diagram that could form the basis of a response to the Minister.

We are keen to get your feedback on our thinking bearing in mind we are very aware of your current planning and regulatory process. As we discussed we have made it very simple in fact, there is nothing new being recommended other than ensuring bulk entities and the QWC have a sound process to ensure all new capital over two million is prudent.

Please call if you have any questions

Barry Dennien

Chief Executive Officer

SEQ Water Grid Manager

Phone: [REDACTED] | **Fax:** [REDACTED] | **Mobile:** [REDACTED]

Email: [REDACTED]

Visit: Level 15, 53 Albert Street, Brisbane

Post: PO Box 16205, City East Qld 4002

ABN: 14783 317 630

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28/04/2011

TRIM ref D/10/5314

1 November 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010 regarding the role of the Water Grid Manager in the planning and approval process for Water Grid capital expenditure.

You requested that the Water Grid Manager take an active role in ensuring that capital expenditure occurs only when necessary, and only after all operational solutions have been considered.

You also requested that I develop an agreed process and timeframe for the provision of advice from 2011-12, in consultation with the Chairs of the Grid Service Providers. The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with Treasury and the Queensland Water Commission, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the advice can be provided efficiently, building upon existing planning documents. The *Market Rules SEQ Water Market* (the Market Rules) and the *System Operating Plan* are established under the *Water Act 2000*. Under the Market Rules we are required to provide the Rules Administrator with an assessment of grid capacity and constraints, and under the System Operating Plan we are required to develop a five year Operating Strategy. Through these documents, we will specify the performance requirements for each significant asset owned by Seqwater, LinkWater and WaterSecure in order to meet our contractual obligations to Grid Customers.

As an enhancement to these existing documents, it has been agreed by Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager that a consultation process will occur each year leading up to the budget process. Through this process, capital proposals involving expenditure of over \$2 million will be assessed to ensure prudence from a whole of Grid perspective, taking into account our Operating Strategy, the Grid capacity assessment and the Water Grid Quality Management Plan. A process chart forms **Attachment A**.

This process will complement the existing roles of the Queensland Water Commission and the Grid Service Providers. As you are aware, the role of the Queensland Water Commission is to plan and propose regionally significant supply augmentation projects and to establish the framework for the operation of the Water Grid, including security performance criteria. The SEQ Water Grid Manager will continue to plan and propose an optimised whole of Grid Operating Strategy, which meets both the Queensland Water Commission requirements and our contractual obligations to Grid Customers.

The asset owning entities will plan and propose whole of life asset specific plans that meet the whole of Grid specification and other regulatory requirements, and will also be accountable for the efficient delivery of the projects. The Distribution Retail entities currently provide demand and location requirements to the SEQ Water Grid Manager.

The SEQ Water Grid Manager will present the revised whole of Grid plans annually as part of its budget submission under our Strategic and Operational plans. Each entity will present its capital plan as part of its annual budget submission.

We acknowledge that any legislated asset or economic regulatory process will take precedence over this process, and we intend to also provide whole of Grid asset plans to the relevant asset and economic regulator.

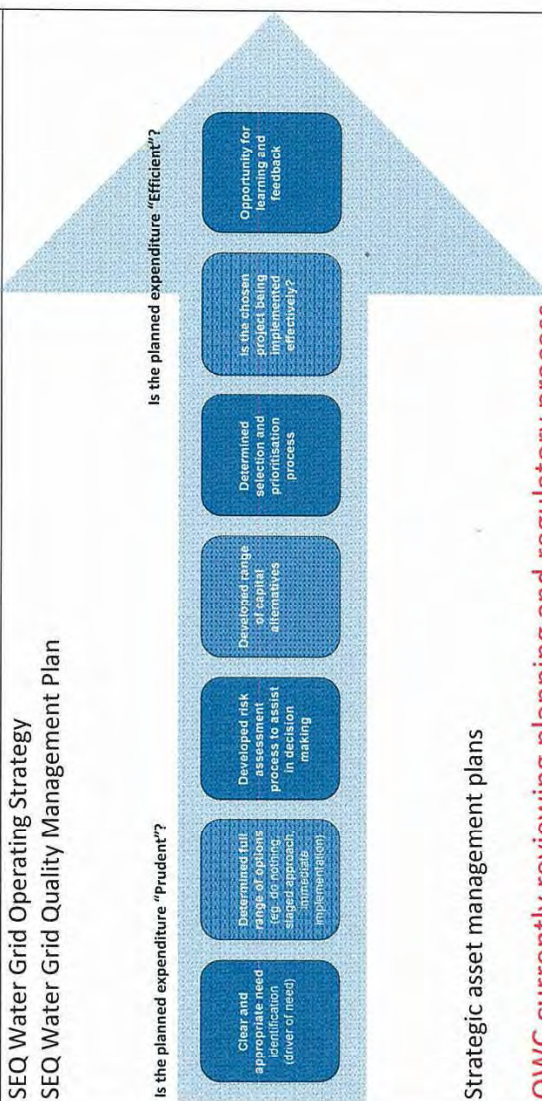
Finally, I am pleased to advise that the bulk entities have already commenced a process for ensuring collaboration in the formulation of these infrastructure plans.

If you have any further questions please contact the CEO of the SEQ water Grid Manager, Barry Dennien on [REDACTED]

Yours sincerely

Gary Humphrys
Chair

Attachment A - SEQ Water Grid asset planning process

Who	What	Approval agencies	Information outputs	Plans / Process
Queensland Water Commission	SEQ Water Grid Regionally Significant Projects	Responsible Ministers	Regionally significant projects	South East Queensland Water Strategy Water Security Program
QWC currently reviewing planning and regulatory process.				
SEQ Water Grid Manager	SEQ Water Grid System level	QWC	Water security specification	SEQ Water Grid Operating Strategy SEQ Water Grid Quality Management Plan
Seqwater LinkWater WaterSecure	South East Queensland water	QCA	Time series asset specification: - Capacity - Quality - Reliability	 Is the planned expenditure "Prudent"? Is the planned expenditure "Efficient"?
	Grid Assets	SEQWGM (need) QCA (efficiency) Responsible Ministers	Asset specific management plans	
SEQ Distributor-Retailers	Distribution Water and Wastewater Assets	QCA Boards	Time series service specification: - Demand - Location - Quality	Water Netserv plan "Integrated Water Management"
QWC currently reviewing planning and regulatory process.				

Waldman Karen

From: Barry Dennien [REDACTED]
Sent: Wednesday, 1 December 2010 7:57 AM
To: [REDACTED]; Waldman Karen; Peter Borrows
Subject: FW: Meeting today.
FYI

From: Keith Davies [REDACTED]
Sent: Tuesday, 30 November 2010 4:00 PM
To: Barry Dennien
Subject: RE: Meeting today.

Barry,

I have no edits for the Capital Planning PdF letter back to Minister Robertson.

Cheers

Keith

From: Barry Dennien [REDACTED]
Sent: Tuesday, 30 November 2010 1:33 PM
To: Keith Davies
Cc: [REDACTED] Peter Borrows
Subject: RE: Meeting today.

Keith, Peter, Peter

Most things can hold over, the "capital planning process" is the one I need to keep moving, I am happy to handle it another way, say, send back tracked changes to the attached "letter and chart". The two documents are self explaining. If we cannot resolve it via email we need to meet later this week. If this is not possible then I recommend we meet today and I will catch up with Peter B separately.

Barry

From: Keith Davies [REDACTED]
Sent: Tuesday, 30 November 2010 1:26 PM
To: Barry Dennien
Cc: [REDACTED] Peter Borrows
Subject: RE: Meeting today.

Hey Barry,

With Peter not around do you want to reschedule say next week? It would suit me today with quite a few things on the boil.

Cheers

Keith

From: Peter Borrows [REDACTED]
Sent: Tuesday, 30 November 2010 1:01 PM
To: Barry Dennien

28/04/2011

Cc: [REDACTED] Keith Davies
Subject: Meeting today.

Hello Barry.

Yesterday, I indicated that I had moved things around to try to make the meeting today. I am now not able to keep those alterations, so I won't be able to make today's meeting.

When you meet today, can you please discuss scheduling the meetings out a few months ahead and let's book them in, so we get more than a day or 2s notice. Also, where there are agenda items requiring a decision, can we get a paper, or a 1 pager if the item is for discussion, so we all know what the agenda item is about and can have thought about it before the meeting. We have this cover sheet for the latter case for our internal meetings that I am happy to send around (and I know I had 1 such item on the meeting that has been scheduled for today).

As I will not be able to have someone come in my place today, I would request that any decisions are held over.

Also, there are important meetings being scheduled by your staff I understand that are also being arranged with limited notice. (I think Arran and Toni were asked late last week to attend a important meeting tomorrow. Arran is not able to attend – this is a less than optimal outcome from both Seqwater's perspective and from I think the grid perspective.

Regards, Peter.

Peter Borrows

Chief Executive Officer
Queensland Bulk Water Supply Authority *trading as Seqwater*

 cid:image003.png@01CB0654.C3

[REDACTED]
Level 3, 240 Margaret St, Brisbane City QLD 4000
PO Box 16146, City East QLD 4002
Website | www.seqwater.com.au

 cid:image008.png@01CB8736.F84905B0

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28/04/2011

Waldman Karen

From: Waldman Karen
Sent: Thursday, 2 December 2010 11:17 AM
To: Dennien Barry [REDACTED]; Peter McManamon; Peter Borrows; Keith Davies
Cc: Allan Julie
Subject: RE: SEQ Water Grid asset planning roles 1 (4)

Hi all

I have not had the chance to read all Peter's comments in detail since I'm in a Commission meeting, but if I could add one correction to Barry's comments in red, I don't believe the QWC process is a long way off but we need an across grid discussion about planning processes and integration going forward. We will provide an update on this on Tuesday 7 December at the workshop, so would suggest any process diagrams at this stage put into a letter to the Minister are premature. I have given Barry this feedback as part of my comments on the letter, which I would suggest could be considerably shortened. Happy to participate in a meeting or comment on the next draft.

Regards, Karen.

From: Barry Dennien [REDACTED]
Sent: Thursday, 2 December 2010 9:51 AM
To: Peter McManamon; Peter Borrows; Keith Davies; Waldman Karen
Cc: spiller daniel [REDACTED]; Horton Grant [REDACTED]; burrell paul [REDACTED]
Subject: RE: SEQ Water Grid asset planning roles 1 (4)

Thanks Peter, great questions – see below I have had a shot at answering them and will update the letter and chart as per your suggestions.

From: Peter McManamon [REDACTED]
Sent: Wednesday, 1 December 2010 6:26 PM
To: Barry Dennien
Subject: FW: SEQ Water Grid asset planning roles 1 (4)

Barry

I have read the letter and looked at the chart and they seem generally ok.

I have clarified some document descriptions and also suggest as the letter from the Minister was to Gary as Chair that you should give the Minister the opportunity to respond directly to Gary as well. **agree**

In the process diagram you need to explicitly include the boards as approving agencies (self evident) **agree** and I think you mean a two way flow of info between BWEs and the WGM. I hope the comments in the attached filers and below are helpful. **agree**

The following is for your consideration, Barry, in framing the **details** going forward.

While I understand the process taken to getting to this point, I am still unclear what is trying to be achieved through this proposed approach when considering the future regulatory environment.

I fully support the need for prudence and that we need to consult to get the 'right' outcome as 'best for grid'.

If this is the end game then so be it but we need to be careful as to how the regulator views it.

28/04/2011

I note that you have said that the regulator does take precedence over the proposed process so this may then be ok.

Under the Water Market Rules the QCA is required, among other things, to:

- provide a report to the Minister setting out its recommendations on Grid Service Charges;
- consider reasonable prudent capital expenditure;
- consider any capital expenditure required to be undertaken to comply with legislative requirements; and
- capital costs for assets constructed under Part 8 of the Water Regulation

In doing so the QCA must issue a final report to the Minister by 30 May.

LinkWater as an example is required to submit its interim proposal by the end of February.

The economic regulatory process takes precedence over the WGM process (acknowledged in the WGM letter).

The WGM process provides for a consultation process between the bulk water entities, QWC and WGM leading up to the budget process to ensure the prudence from a whole-of-grid perspective.

Number one. We are NOT an approval agency for your capital upgrades. We ONLY recommend what the grid requires (specified as capacity, reliability, quality, and production estimates at a facility level over a forecasted short and medium term) to meet customer contracts (also specified as product quality, reliability, demand, over a short and medium term) and regional water security as specified as security objectives in the System Operating Plan (SOP).

Your business decides how to interpret these recommendations when formulating the asset renewal and upgrade programs for your facilities/assets and then submitting to regulators and owners. Hopefully we have all done our homework in the period leading up to submissions and both recommendations align.

The QCA and owners have indicated to us they want our advice on a regular basis, hence the process outlined.

Number two. This proposed process is not NEW, it builds on the existing, SOP and market rules requirements, in fact the only new step is to formalise the process of normalisation of capital spend prior to budget and regulatory submissions through consultation as you have pointed out.

Outstanding Issues in your process diagram:

- What does this process deliver that the QCA's process does not? The QWC process is still away off before completion and we need to prepare for budget and regulatory submissions in the new year
- Why is the QCA not involved in the consultation element of this process? We have consulted with QCA informally but will need to engage formally through the QWC, when we are clear on what we want. The driver for this has been our owner.
- How is the regulatory timelines integrated into this process – given LinkWater's process concludes in early February? See above, we will submit our recommendation to the Minister this week for an immediate start.
- How is prudence determined? Efficiency of maintenance management and operations and capital expenditure at an asset /facility level – QCA/asset owner, efficiency of grid performance ie how efficient is security, and grid customer service standards being met from the collective grid – QCA/ QWC / Grid manager
- What is the WGM's assessment criteria when there are no prescribed asset performance requirements other than to satisfy the Grid Service Contract.

See above, these are being formulated now:

- security is completed, KPI's & criteria are clear and risk allocation is clear,
- capacity is nearing completion, with the second edition grid performance standard due before xmas
- water quality is a journey well underway, with the second whole of Grid water quality management plan (including the monitoring plan) due for submission shortly
- reliability has just started with the Grid manager working closely with Linkwater and customers to get their reliability performance criteria baseline assessment completed, first edition due early to mid next year.
- Has the WGM discussed consistency of criteria with the QCA? **Not in detail**

These matters probably need discussing by CEOs so we get the implementation and outcomes right. Agree I will keep trying to get a booking.

Peter



www.linkwater.com.au

Peter McManamon
Chief Executive Officer

Level 5, 200 Creek Street | PO Box 1045 | Spring Hill
Qld 4004

| w

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From: Peter McManamon
Sent: Wednesday, 1 December 2010 6:09 PM
To: Peter McManamon
Subject: SEQ Water Grid asset planning roles 1 (4)

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28/04/2011

Waldman Karen

From: Waldman Karen
Sent: Friday, 3 December 2010 9:22 AM
To: Dennien Barry [REDACTED] Peter McManamon; Peter Borrows; Keith Davies
Cc: Allan Julie; Bagdon Tad
Subject: RE: capital planning letter

Hi all

Barry, thanks for the new version. The key message I think the letter needs to reinforce are that existing processes and documents can form the basis of the process that the Minister is seeking.

While I note a couple of my earlier suggestions have been incorporated, there are still some areas of concern for QWC as follows:

- I do not support the process diagram being included. At this stage I think an integrated planning process still needs work for clarification, understanding and ownership. As I suggested previously, the Minister needs to know a process is being developed. I don't think a strawman process that's had no degree of consultation should be proposed as yet.
- I don't think the words "medium term" are clear in the fourth paragraph and suggest they be deleted
- The last paragraph on the first page needs review - what "will be prepared" - advice or documents - is not clear
- The previous message you had about the economic regulatory framework taking precedence has now been removed. Removing it makes it unclear as to who is regulating whom and therefore I think it should be included again rather than the words about the WGM providing a whole-of-Grid needs assessment to the relevant asset and economic regulators - not sure what that means and I note that when we spoke you talked about system needs. Perhaps the issue of system constraints would be a better form of wording.
- Is it to be the WGM's role to present your advice as part of your strategic and operational plans - what role do the GSP's plans then have.

In summary, as I suggested in relation to the previous version, I suggest more work occur in relation to any planning process going forward and that the key messages for the Minister in the letter need to be that a collaborative process is being developed and that the requirements for the Minister in terms of advice can be provided based on existing processes and documents.

I look forward to us all working together on developing this process across the entire grid entities and hope QWC's Tuesday's workshop can assist in this direction, thanks, Karen.

From: Barry Dennien [REDACTED]
Sent: Thursday, 2 December 2010 4:01 PM
To: Peter McManamon; Peter Borrows; Waldman Karen; Keith Davies
Subject: capital planning letter

Folks

28/04/2011

Thanks for your feedback.

I have attached the latest draft with feedback incorporated.

Peter B I have not received your feedback as yet .

We are keen to get this off to the Minister Tuesday next week and it will also form part of the planning workshop Karen is running.

Regards

Barry Dennien

Chief Executive Officer

SEQ Water Grid Manager

Phone: [REDACTED]

Email: [REDACTED]

Visit: Level 15, 53 Albert Street, Brisbane

Post: PO Box 16205, City East Qld 4002

ABN: 14783 317 630

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28/04/2011

TRIM ref D/10/7240

25 November 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010, regarding the role of the SEQ Water Grid Manager in providing advice into the planning and approval process for SEQ Water Grid capital expenditure.

You requested that significant capital expenditure occurs only when necessary and only after all operational solutions have been considered.

You also requested that the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011–12, in consultation with the Chairs and CEOs of the Grid Service Providers. The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with the Queensland Water Commission and Queensland Treasury, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the SEQ Water Grid Manager's advice can be provided efficiently and without further cost, building upon existing South East Queensland water market processes. The *Market Rules SEQ Water Market* and the *South East Queensland System Operating Plan* are established under the *Water Act 2000*. Specifically under the *Market Rules SEQ Water Market*, the SEQ Water Grid Manager is required to provide the Rules Administrator, being the Queensland Water Commission, with a medium term assessment of SEQ Water Grid capacity and constraints and under the *South East Queensland System Operating Plan* the SEQ Water Grid Manager is required to develop a rolling yearly operating strategy.

These two documents would inform any advice we provide and will be prepared in consultation with the grid service providers, grid customers and the Queensland Water Commission.

The Queensland Water Commission prepares a South East Queensland Water Strategy and water security program that specifies regionally significant capital projects.

In addition, Seqwater, LinkWater and WaterSecure prepare asset management plans that consider capital investments that are required to ensure each asset can perform the function required of it now and into the future as well as comply with regulations such as environmental licences and safety.

We believe these existing processes and documents can form the basis of the planning and approval process for bulk water infrastructure.

It has been proposed that Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager will develop a consultation process to occur throughout each year leading up to the budget process. Through this process, individual capital proposals involving expenditure of over \$2 million will be assessed to ensure prudence from a whole-of-Grid perspective, taking into account entity plans outlined above.

We acknowledge that any legislated asset or economic regulatory process will be informed by this process, and we intend to also provide whole-of-Grid needs assessment to the relevant asset and economic regulators.

A process chart forms **Attachment A**.

This process will complement the existing roles of the Queensland Water Commission and the Grid Service Providers. As you are aware, the role of the Queensland Water Commission is to plan and propose regionally significant supply augmentation projects and to establish the framework for the operation of the SEQ Water Grid, including security performance criteria.

- The SEQ Water Grid Manager will continue to refine the optimised whole-of-Grid Operating Strategy, to meet both the Queensland Water Commission requirements and our contractual obligations to Grid Customers.
- The asset owning entities will continue to plan and propose whole-of-life asset specific plans that meet the whole-of-Grid specification and other regulatory requirements. The entities will also be accountable for the efficient delivery of the projects.
- The SEQ Distributor-Retailers will continue to provide bulk water specifications to the SEQ Water Grid Manager that will be used as the basis of any whole-of-Grid infrastructure needs.

The SEQ Water Grid Manager will present our advice, supported by the Grid Service Providers, as part of its budget submission under the strategic and operational plans.

I am pleased to advise that the grid service providers and the Queensland Water Commission have already commenced a process for ensuring collaboration in the formulation of this process.

If you have any further questions please contact the undersigned or Barry Dennien, Chief Executive Officer, on telephone [REDACTED] or via email at [REDACTED]

Yours sincerely

Gary Humphrys
Chair

Enclosed: SEQ Water Grid Bulk Infrastructure Planning Process

Attachment A - SEQ Water Grid Bulk Infrastructure Planning Process

Who	Role	Approval agencies	Information outputs	Plans / Process
Queensland Water Commission	Strategic Planning South East Queensland	Responsible Ministers	Supply and demand strategies	South East Queensland Water Strategy
	Scoping new supply sources		Regionally significant projects	Water Security Program
	Levels of Service		Water security specification	South East Queensland System Operating Plan
SEQ Water Grid Manager	South East Queensland water grid operating strategy	Board	Time series key asset performance specification: - capacity - quality - reliability - location	South East Queensland Water Grid Operating Strategy
	Customer needs specification	Queensland Water Commission		South East Queensland Water Grid Quality Management Plan
	Water grid performance optimisation (key water grid asset needs)			Grid Capacity Plans (Annual Market Rules Review)
Seqwater LinkWater WaterSecure	Entity bulk asset optimisation	Board	Asset specific management plans	Strategic asset management plans (Infrastructure investment Plans)
		Queensland Competition Authority		
		Responsible Ministers		
SEQ Distributor-Retailers Bulk Customers	Water distribution and wastewater system asset optimisation	Queensland Competition Authority Boards	Time series bulk water specification: - demand - capacity - location - quality - reliability	Water Netserv plan

Waldman Karen

From: Barry Dennien [REDACTED]
Sent: Monday, 6 December 2010 4:58 PM
To: Peter Borrows
Cc: Keith Davies; Peter McManamon; Waldman Karen; spiller daniel [REDACTED]
Subject: RE: Asset Planning/Approval Roles
Folks

Thanks for your inputs.

There have been a few issues raised after circulation of the second draft.

Timing of a response back to the Minister.

As stated previously my Board is keen to get a fulsome response back to the Minister ASAP, this means information of how the process will work this year not a reply that says we are working on it. Given the time constraints of QCA and budget submissions early next year a process is needed now. Waiting until after the meeting tomorrow is manageable however the reply is planned to go Wednesday. We have tried for a week to get a follow up meeting with CEOs the earliest time is now Monday the 13th.

Capital approval

I will attempt again to explain the WGM's understanding of the current market rules. This was presented months ago as part of our roles and responsibilities.

Under the Act the WGM:

1. purchases services
2. sells water products
3. Owns the urban water allocations
4. has a obligation to meet security objectives (5 year future time step)specified under the System Operating Plan
5. deliver a range of plans – Grid wide Water Quality management Plan, Operating Strategy (updated yearly) Risk Plan, Grid capacity assessment.

As such the role proposed in our response to the minister is consistent with this. As part of purchasing services to meet our customer contractual compliance and regional security compliance we forward specify key grid asset/facility performance criteria (capacity, quality, reliability) only to our grid service providers. Not cost, or security, or how performance criteria are met. Therefore we do not approve capital decisions by grid service providers, we only specify the need to treat our water allocation and service our customers. QCA will then assess efficiency of capital spend and allowable costs.

Security is a separate function of system integration and produced as part of the grid instruction process.

The risk borne by an asset not meeting their performance specifications sits with the service provider if the performance asked (grid instruction) is within the agreed asset / facility capability or sits with the Grid manager if a grid instruction requires an asset go beyond the its capability. This risk allocation is clearly set out in the current market rules. Grid service providers are also liable for meeting their obligations with connected grid participants through the operating protocols to ensure assets work within their agreed performance criteria.

Discussions tomorrow

28/04/2011

If further clarification is required on what the Minister has asked for it is my preference to have this discussion with the bulk entities and QWC only. Discussions tomorrow have a broader context (DR's, regulation, etc) and I intend to keep my overview very brief.

I will circulate a follow up draft minister's response after tomorrow's meeting.

Regards

Barry

From: Peter Borrows [REDACTED]
Sent: Friday, 3 December 2010 1:16 PM
To: Barry Dennien
Cc: Keith Davies; Peter McManamon; [REDACTED]
Subject: Asset Planning/Approval Roles

Hello Barry,

Please find enclosed our interim comments on the latest letter and process diagram in response to the Ministers direction regarding Grid asset investment. I note that there is a forum planned by the QWC for next Tuesday to further develop the Framework for Planning and Delivery of Water Infrastructure in SEQ, and would be keen to ensure that any final reply aligns with any agreed outcomes from that forum. Subsequently, we propose to send an updated/finalised response following that forum.

Some additional considerations which have not included in our proposed amendments but that would require addressing are:

- Changes to control of asset management decisions: Any arrangements that take control of asset management decisions out of the hands of Grid Service Providers should be reflected in changes to the Market Rules – for example the liability and responsibility of GSPs should be reduced accordingly.
- Timing – in a practical sense consultation in the period 'leading up to the budget' may be problematic given the short timeframes (particularly this and next year during the 1 year determinations). It's likely there will be an overlap with the QCA review.
- Operating Strategy – I note in your comments back to Peter McManamon yesterday that the you do not the SEQ Water Grid Manager as approving capital upgrades but rather only recommending what the grid requires in terms of capacity, reliability, quality and production estimates at a facility level over the short to medium term. This appears a little at odds with some of the proposed Grid optimisation planning proposed in the draft Operating Strategy, which appears to have the SEQ Water Grid manager role moving into leadership of cross-grid infrastructure planning. Suggest this still needs to be worked through, particularly with current work in QWC around infrastructure planning frameworks.
- Scenario testing: Perhaps some scenario testing could be undertaken in development of the process

28/04/2011

to ensure there is an effective consultative approach.

Please feel free to contact me.

Regards, Peter.

Peter Borrows

Chief Executive Officer

Queensland Bulk Water Supply Authority *trading as Seqwater*

 cid:image003.png@01CB0654.C3

[REDACTED]
Level 3, 240 Margaret St, Brisbane City QLD 4000
PO Box 16146, City East QLD 4002
Website | www.seqwater.com.au

 cid:image008.png@01CB8736.F84905B0

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28/04/2011

TRIM ref D/10/7240

25 November 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010, regarding the role of the SEQ Water Grid Manager in providing advice into the planning and approval process for SEQ Water Grid capital expenditure.

You requested that the SEQ Water Grid Manager take an active role in working closely with the Grid Service Providers and Queensland Water Commission to ensure significant capital expenditure occurs only when necessary and only after all operational solutions have been considered.

You also requested that the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011–12, in consultation with the Chairs and CEOs of the Grid Service Providers. The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with the Queensland Water Commission and Queensland Treasury, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the SEQ Water Grid Manager's advice can be provided efficiently and without further cost, building upon existing South East Queensland water market processes. The *Market Rules SEQ Water Market* and the *South East Queensland System Operating Plan* are established under the *Water Act 2000*. Specifically under the *Market Rules SEQ Water Market*, the SEQ Water Grid Manager is required to provide the Rules Administrator, being the Queensland Water Commission, with an assessment of SEQ Water Grid capacity and constraints under the *South East Queensland System Operating Plan* the SEQ Water Grid Manager is required to develop a five-year operating strategy. These two documents would inform any advice we provide.

Deleted: These two documents would inform any advice we provide. Once refined, we would not provide advice to you on regionally significant projects. As you know, we prepared these documents in consultation with the grid service providers.

The Queensland Water Commission prepared a South East Queensland Water Strategy and water security program that specifies regionally significant capital projects. Subsequently, we would not provide advice to you on regionally significant projects.

In addition, Seqwater, LinkWater and WaterSecure prepare asset portfolio level plans and asset management plans that consider capital investments that are required to ensure the portfolio of assets operates efficiently and effectively and that each asset within the portfolio can perform the function required of it now and into the future. These plans are the tools by which Grid Service Providers manage their infrastructure to ensure that:

1. at all times it is able to be operated to comply with Grid instructions and Operating Instructions
2. infrastructure is operated and maintained in accordance with Good operating Practice
3. infrastructure and its operation complies at all times with environmental, workplace health & safety and other legislatives requirements.

We believe these existing processes and documents can form the basis of the planning and approval process for bulk water infrastructure.

It has been agreed by Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager to develop a collaborative planning review/consultation process that will occur each year leading up to the budget process. Through this process, individual capital proposals involving expenditure of over \$2 million that are not regionally significant will be reviewed to ensure alignment and integration of planning requirements from a whole-of-Grid perspective, taking into account our Operating Strategy, the SEQ Water Grid Capacity Assessment and the SEQ Water Grid Quality Management Plan, entity asset specific asset portfolio plans and asset management plans. A diagrammatic representation of the inputs to this review, forms **Attachment A**.

This process will complement the existing roles and planning processes being developed by and within the Queensland Water Commission and the Grid Service Providers. As you are aware, the role of the Queensland Water Commission is to plan and propose regionally significant supply augmentation projects and to establish the framework for the operation of the SEQ Water Grid, including security performance criteria.

- The SEQ Water Grid Manager will continue to refine, in consultation with the Grid Service Providers, the whole-of-Grid Operating Plan, to meet both the Queensland Water Commission requirements and our contractual obligations to Grid Customers.
- The asset owning entities will continue to plan and propose whole-of-life portfolio level and asset specific plans that improve efficiency of operation, meet the whole-of-Grid specification and other regulatory requirements, and deliver sustainable water supply outcomes. The entities remain accountable for asset performance and therefore must remain accountable for their asset management decisions. They will also be accountable for the efficient delivery of the projects.

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Attachment A - SEQ Water Grid Bulk Infrastructure Planning Process

Who	Role	Approval agencies	Information outputs	Plans / Process
Queensland Water Commission	Strategic Planning South East Queensland Scoping new supply sources Levels of Service	Responsible Ministers	Supply and demand strategies Regionally significant projects Water security specification	South East Queensland Water Strategy Water Security Program South East Queensland System Operating Plan
SEQ Water Grid Manager	South East Queensland water grid operating strategy Customer needs specification Water grid operational performance optimisation (key water grid asset needs)	Queensland Water Commission Board	Time series key asset performance specification: - capacity - quality - reliability - location	South East Queensland Water Grid Operating Strategy South East Queensland Water Grid Quality Management Plan Grid Capacity Plans (Annual Market Rules Review)
Seqwater LinkWater WaterSecure	Entity bulk asset optimisation	Queensland Competition Authority Boards Responsible Ministers	Asset Portfolio level management plans Asset specific management plans	Asset portfolio level plans Strategic asset management plans Asset specific management plans (Infrastructure investment Plans) Drinking Water Quality Management Plans
SEQ Distributor-Retailers Bulk Customers	Water distribution and wastewater system asset optimisation	Queensland Competition Authority Boards	Time series bulk water specification - demand - capacity - location - quality - reliability	Water Netserv plan

Proposed SEQ Water Grid Infrastructure Plans

Waldman Karen

From: Barry Dennien [REDACTED]
Sent: Tuesday, 7 December 2010 5:38 PM
To: Peter McManamon; Keith Davies; Peter Borrows; Waldman Karen
Subject: Grid Bulk Asset Planning process reply to Minister
Attachments: WGM role in capital planning process - response to Minister (6).docx
Folks

I have attached the final draft as promised.

On your advice the process chart has been left off, however a brief process description has been left in the letter.

I believe the advice is consistent with discussions in the workshop today and is flexible to adapt to any changes that might come out of the final process next year.

My Chair has asked me to also circulate a copy to all Chairs and Commissioner on his behalf.

Regards

Barry Dennien
Chief Executive Officer
SEQ Water Grid Manager

Phone: [REDACTED]
Email: [REDACTED]
Visit: Level 15, 53 Albert Street, Brisbane
Post: PO Box 16205, City East Qld 4002
ABN: 14783 317 630

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28/04/2011

TRIM ref D/10/7240

25 November 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010, regarding the role of the SEQ Water Grid Manager in providing advice into the planning and approval process for SEQ Water Grid capital expenditure.

You requested that the SEQ Water Grid Manager take an active role to ensure significant capital expenditure occurs only when necessary and only after all operational solutions have been considered. Specifically, you requested our advice that:

- there is a clear and appropriate need for proposed expenditure by Grid Service Providers
- a full range of options have been considered, including alternative ways of operating the Water Grid and utilising existing infrastructure.

You also requested that the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011–12, in consultation with the Chairs and CEOs of the Grid Service Providers.

The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with the Queensland Water Commission and Queensland Treasury, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the advice you requested can be provided efficiently and without further cost, building upon existing processes under the *Market Rules SEQ Water Market* and the *South East Queensland System Operating Plan*. Specifically:

- The *South East Queensland System Operating Plan* requires that we develop a five-year Operating Strategy to ensure regional security standards. The proposed Operating Strategy specifies the services that we require from the Grid Service Provider's key assets to ensure these standards are achieved. These specifications should inform capital planning by the Providers.
- The *Market Rules SEQ Water Market* requires that we provide an annual assessment of the capacity of, and constraints on, the SEQ Water Grid in providing for customers contractual requirements and regional security standards, to the Queensland Water Commission, as Rules Administrator. This assessment will identify where we consider that capital expenditure is required.

These two documents will inform our advice to you regarding the need for proposed capital expenditure. As you know, we prepare these documents in consultation with the grid service providers.

Seqwater, LinkWater and WaterSecure will prepare asset management plans that consider capital investments that are required to ensure each asset can perform the function required of it now and into the future, as well as comply with regulations such as environmental licences and safety.

It has been agreed by Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager that a consultation process will occur each year leading up to the budget process. Through this process, individual capital proposals involving expenditure of over \$2 million that are not regionally significant will be assessed to ensure prudence from a whole-of-Grid perspective, taking into account our Operating Strategy, the SEQ Water Grid Capacity Assessment and the SEQ Water Grid Quality Management Plan, entity asset specific management plans.

This process will complement the existing roles of the Queensland Water Commission and the Grid Service Providers.

- The Queensland Water Commission will continue to plan regionally significant infrastructure to ensure long term water security for the region
- The SEQ Water Grid Manager will continue to refine the optimised whole-of-Grid Operating Strategy, to meet both the Queensland Water Commission requirements and our contractual obligations to Grid Customers.
- The asset owning entities will continue to plan and propose whole-of-life asset specific plans that meet the whole-of-Grid specification and other regulatory requirements. The entities will also be accountable for the efficient delivery of the projects.
- The SEQ Distributor-Retailers will continue to provide bulk water specifications to the SEQ Water Grid Manager that will be used as the basis of any whole-of-Grid infrastructure needs.

The SEQ Water Grid Manager will present the revised whole-of-Grid plans annually, supported by the Grid Service Providers, as part of its budget submission under the strategic and operational plans.

Consistent with your request, we would not provide advice on regionally significant projects. As you are aware, the role of the Queensland Water Commission is to plan and propose regionally significant supply augmentation projects and to establish the framework for the operation of the SEQ Water Grid, including security performance criteria.

We intend to also provide whole-of-Grid needs assessment to the relevant asset and economic regulator.

Finally, I am pleased to advise that the bulk entities have already commenced a process for ensuring collaboration in the formulation of these infrastructure plans.

If you have any further questions please contact Barry Dennien, Chief Executive Officer, on telephone [REDACTED] or via email at [REDACTED]

Yours sincerely

Gary Humphrys
Chair

Waldman Karen

From: Waldman Karen
Sent: Tuesday, 7 December 2010 6:38 PM
To: Dennien Barry [REDACTED]; 'mary.boydell' [REDACTED]
Subject: Re: Bulk Water Capital Planning Process

Sure Barry - Karen

----- Original Message -----

From: Barry Dennien <[REDACTED]>
To: Waldman Karen
Sent: Tue Dec 07 18:05:02 2010
Subject: FW: Bulk Water Capital Planning Process

Karen

May I ask a favour, could you forward this to Mary please all my email addresses are bouncing

Regards

Barry

From: Barry Dennien
Sent: Tuesday, 7 December 2010 5:58 PM
To: 'Steve'; [REDACTED]; [REDACTED]; Mary Boydell
Cc: Gary Humphrys
Subject: Bulk Water Capital Planning Process

Dear Commissioner & Chairs

Gary Humphrys has asked me to send you our draft letter of response to the Minister's request to the Water grid manager with regards clarification of our role in the bulk water capital approvals process. The letter has had several drafts circulated through the CEOs.

In summary we do not see our role changing very much from what was set out in the market rules and function established under the SEQ Water restructuring Act 2007

We clearly do not approve capital projects for asset owning entities however, we have a role in establishing customer requirements, grid wide optimisation and establishing service provider service specifications (as specified under the Act).

We look forward to any comments, we wish to get the letter away this week.

Regards

Barry Dennien

Chief Executive Officer

SEQ Water Grid Manager

[REDACTED]
Email: [REDACTED]
Visit: Level 15, 53 Albert Street, Brisbane
Post: PO Box 16205, City East Qld 4002
ABN: 14783 317 630

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TRIM ref D/10/7240

25 November 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010, regarding the role of the SEQ Water Grid Manager in providing advice into the planning and approval process for SEQ Water Grid capital expenditure.

You requested that the SEQ Water Grid Manager take an active role to ensure significant capital expenditure occurs only when necessary and only after all operational solutions have been considered. Specifically, you requested our advice that:

- there is a clear and appropriate need for proposed expenditure by Grid Service Providers
- a full range of options have been considered, including alternative ways of operating the Water Grid and utilising existing infrastructure.

You also requested that the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011–12, in consultation with the Chairs and CEOs of the Grid Service Providers.

The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with the Queensland Water Commission and Queensland Treasury, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the advice you requested can be provided efficiently and without further cost, building upon existing processes under the *Market Rules SEQ Water Market* and the *South East Queensland System Operating Plan*. Specifically:

- The *South East Queensland System Operating Plan* requires that we develop a five-year Operating Strategy to ensure regional security standards. The proposed Operating Strategy specifies the services that we require from the Grid Service Provider's key assets to ensure these standards are achieved. These specifications should inform capital planning by the Providers.
- The *Market Rules SEQ Water Market* requires that we provide an annual assessment of the capacity of, and constraints on, the SEQ Water Grid in providing for customers contractual requirements and regional security standards, to the Queensland Water Commission, as Rules Administrator. This assessment will identify where we consider that capital expenditure is required.

These two documents will inform our advice to you regarding the need for proposed capital expenditure. As you know, we prepare these documents in consultation with the grid service providers.

Seqwater, LinkWater and WaterSecure will prepare asset management plans that consider capital investments that are required to ensure each asset can perform the function required of it now and into the future, as well as comply with regulations such as environmental licences and safety.

It has been agreed by Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager that a consultation process will occur each year leading up to the budget process. Through this process, individual capital proposals involving expenditure of over \$2 million that are not regionally significant will be assessed to ensure prudence from a whole-of-Grid perspective, taking into account our Operating Strategy, the SEQ Water Grid Capacity Assessment and the SEQ Water Grid Quality Management Plan, entity asset specific management plans.

This process will complement the existing roles of the Queensland Water Commission and the Grid Service Providers.

- The Queensland Water Commission will continue to plan regionally significant infrastructure to ensure long term water security for the region
- The SEQ Water Grid Manager will continue to refine the optimised whole-of-Grid Operating Strategy, to meet both the Queensland Water Commission requirements and our contractual obligations to Grid Customers.
- The asset owning entities will continue to plan and propose whole-of-life asset specific plans that meet the whole-of-Grid specification and other regulatory requirements. The entities will also be accountable for the efficient delivery of the projects.
- The SEQ Distributor-Retailers will continue to provide bulk water specifications to the SEQ Water Grid Manager that will be used as the basis of any whole-of-Grid infrastructure needs.

The SEQ Water Grid Manager will present the revised whole-of-Grid plans annually, supported by the Grid Service Providers, as part of its budget submission under the strategic and operational plans.

Consistent with your request, we would not provide advice on regionally significant projects. As you are aware, the role of the Queensland Water Commission is to plan and propose regionally significant supply augmentation projects and to establish the framework for the operation of the SEQ Water Grid, including security performance criteria.

We intend to also provide whole-of-Grid needs assessment to the relevant asset and economic regulator.

Finally, I am pleased to advise that the bulk entities have already commenced a process for ensuring collaboration in the formulation of these infrastructure plans.

If you have any further questions please contact Barry Dennien, Chief Executive Officer, on telephone [REDACTED] or via email at [REDACTED]

Yours sincerely

Gary Humphrys
Chair

Waldman Karen

From: Barry Dennien [REDACTED]
Sent: Wednesday, 15 December 2010 9:16 AM
To: Peter Borrows; Peter McManamon; Keith Davies; Waldman Karen
Cc: spiller daniel [REDACTED]
Subject: Planning letter
Follow Up Flag: Follow up
Flag Status: Completed
Attachments: WGM role in capital planning process - response to Minister (6).docx

Hi Folks

Please find attached an updated letter. I have kept tracked changes in to assist you. The changes now hopefully reflect the QWC and bulk entity feedback from the last round.

I hope to get this letter away in the next few days.

Regards

Barry Dennien
Chief Executive Officer
SEQ Water Grid Manager

Email: [REDACTED]
Visit: Level 15, 53 Albert Street, Brisbane
Post: PO Box 16205, City East Qld 4002
ABN: 14783 317 630

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28/04/2011

TRIM ref D/10/7240

25 November 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010, regarding the role of the SEQ Water Grid Manager in providing advice into the planning and approval process for SEQ Water Grid capital expenditure.

You indicated that you wish to ensure that capital expenditure occurs only when necessary and only after all operational solutions have been considered. To this end, you requested our advice that:

Deleted: requested that the SEQ Water Grid Manager take an active role to ensure significant capital expenditure occurs only when necessary and only after all operational solutions have been considered. Specifically,

- there is a clear and appropriate need for proposed expenditure by Grid Service Providers and
- a full range of options have been considered, including alternative ways of operating the Water Grid and utilising existing infrastructure.

You also requested that the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011–12, in consultation with the Chairs and CEOs of the Grid Service Providers.

The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with Grid Service Providers, the Queensland Water Commission and Queensland Treasury, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the advice you requested can be provided efficiently and without further cost, building upon existing processes in place. Specifically:

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The *South East Queensland System Operating Plan* requires that we develop an Operating Strategy to describe how the Grid will operated in the next 12 months to

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PO Box 16205, City East Q 4002 Tel: +61 7 3247 4484 Fax: +61 7 3405 0373 www.seqwgm.qld.gov.au

ABN: 14 783 317 630

meet the forecast demand of our customer. In developing the Operating Strategy, we must consider the impact of our proposal on the region's security over the five years, including the ability of the system to achieve the desired levels of service objectives. We must also consider the efficiency and cost effectiveness of the operating proposals. The Market Rules SEQ Water Market requires that each year we provide projections of the capabilities of the SEQ Water Grid for the next three years, to the Queensland Water Commission, as Rules Administrator.

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Seqwater, LinkWater and WaterSecure will continue to prepare asset management plans that consider capital investments that are required to ensure each asset can perform the function required of it in accordance with their contractual and legislative obligations. The Grid Service Providers will continue to have responsibility and accountability for their asset portfolio management and of related asset management decisions.

It has been agreed by Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager that a consultation process will occur throughout each year leading up to the annual operational planning process for each of the Grid Service Providers. Through this process, individual capital proposals involving expenditure of over \$2 million that are not regionally significant will be assessed to ensure prudence from a whole-of-Grid perspective. This process will complement the existing roles of the Queensland Water Commission and the Grid Service Providers.

- The Queensland Water Commission will continue to plan regionally significant infrastructure to ensure long term water security for the region. It is also presently facilitating a whole-of-Grid planning process and we will continue to support the ongoing refinement of this grid wide framework for planning and delivery of infrastructure.
- The SEQ Water Grid Manager will continue to refine the optimised whole-of-Grid Operating Strategy, to meet both the Queensland Water Commission requirements and our contractual obligations to Grid Customers.
- The asset owning entities will continue to plan and propose whole-of-life asset specific plans that meet the whole-of-Grid specification and other regulatory requirements. The entities will also be accountable for the efficient delivery of the projects. The Water Grid Manager will work collaboratively with Grid Service Providers as they develop and finalise their budgets.
- The SEQ Distributor-Retailers will continue to provide bulk water specifications to the SEQ Water Grid Manager that will be used as the basis of any whole-of-Grid infrastructure needs.

The SEQ Water Grid Manager will provide its advice, as part of its budget submission under the strategic and operational plans.

Finally, I am pleased to advise that the bulk entities have already commenced a process for ensuring collaboration in the formulation of these infrastructure plans.

If you have any further questions please contact Barry Dennien, Chief Executive Officer, on telephone [REDACTED] or via email at [REDACTED]

Yours sincerely

Gary Humphrys
Chair

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Water Grid Bulk Infrastructure
Planning Process

Page 2: [1] Deleted %UserName% 14/12/2010 5:34:00 PM

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Page 2: [2] Deleted %UserName% 13/12/2010 3:35:00 PM

present the revised whole-of-Grid plans annually, supported by the Grid Service Providers

Page 2: [3] Deleted %UserName% 14/12/2010 5:41:00 PM

Consistent with your request, we would not provide advice on regionally significant projects. As you are aware, the role of the Queensland Water Commission is to plan and propose regionally significant supply augmentation projects and to establish the framework for the operation of the SEQ Water Grid, including security performance criteria.

Page 2: [4] Deleted %UserName% 13/12/2010 4:18:00 PM

We acknowledge that any legislated asset or economic regulatory process will take precedence over this process, and we intend to also provide whole-of-Grid needs assessment to the relevant asset and economic regulator.

Waldman Karen

From: Barry Dennien [REDACTED]
Sent: Wednesday, 15 December 2010 3:42 PM
To: Peter Borrows
Cc: spiller daniel [REDACTED] Peter McManamon; Waldman Karen; Keith Davies
Subject: RE: Planning letter

Thanks Peter

From: Peter Borrows [REDACTED]
Sent: Wednesday, 15 December 2010 3:37 PM
To: Barry Dennien
Cc: Dan Spiller; Peter McManamon; Waldman Karen; Keith Davies; Peter Borrows
Subject: RE: Planning letter

Hello Barry.

Thanks for this. I have suggested a few minor changes to one of the points on the last page of the draft – highlighted in yellow. Seqwater would be supportive of going with this letter with these changes.

I'll have spoken briefly with our Chairman as well.

Regards, Peter.

Peter Borrows
Chief Executive Officer
Queensland Bulk Water Supply Authority *trading as Seqwater*

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[REDACTED]
Level 3, 240 Margaret St, Brisbane City QLD 4000
PO Box 16146, City East QLD 4002
Website | www.seqwater.com.au

 cid:image008.png@01CB8736.F84905B0

From: Barry Dennien [REDACTED]
Sent: Wednesday, 15 December 2010 9:16 AM
To: Peter Borrows; Peter McManamon; Keith Davies; Waldman Karen
Cc: Dan Spiller
Subject: Planning letter

Hi Folks

Please find attached an updated letter. I have kept tracked changes in to assist you. The changes now hopefully reflect the QWC and bulk entity feedback from the last round.

I hope to get this letter away in the next few days.

28/04/2011

Regards

Barry Dennien

Chief Executive Officer

SEQ Water Grid Manager

Phone: [REDACTED] | **Fax:** [REDACTED] | **Mobile:** [REDACTED]

Email: [REDACTED]

Visit: Level 15, 53 Albert Street, Brisbane

Post: PO Box 16205, City East Qld 4002

ABN: 14783 317 630

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28/04/2011

TRIM ref D/10/7240

25 November 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010, regarding the role of the SEQ Water Grid Manager in providing advice into the planning and approval process for SEQ Water Grid capital expenditure.

You indicated that you wish to ensure that capital expenditure occurs only when necessary and only after all operational solutions have been considered. To this end, you requested our advice that:

- there is a clear and appropriate need for proposed expenditure by Grid Service Providers; and
- a full range of options have been considered, including alternative ways of operating the Water Grid and utilising existing infrastructure.

Deleted: requested that the SEQ Water Grid Manager take an active role to ensure significant capital expenditure occurs only when necessary and only after all operational solutions have been considered. Specifically,

You also requested that the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011–12, in consultation with the Chairs and CEOs of the Grid Service Providers.

The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with Grid Service Providers, the Queensland Water Commission and Queensland Treasury, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the advice you requested can be provided efficiently and without further cost, building upon existing processes in place. Specifically:

Deleted: under the *Market Rules SEQ Water Market* and the *South East Queensland System Operating Plan*.

The *South East Queensland System Operating Plan* requires that we develop an Operating Strategy to describe how the Grid will operated in the next 12 months to

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PO Box 16205, City East Q 4002 Tel: +61 7 3247 4484 Fax: +61 7 3405 0373 www.seqwgm.qld.gov.au

ABN: 14 783 317 630

~~meet the forecast demand of our customer. In developing the Operating Strategy, we must consider the impact of our proposal on the region's security over the five years, including the ability of the system to achieve the desired levels of service objectives. We must also consider the efficiency and cost effectiveness of the operating proposals.~~ The Market Rules SEQ Water Market requires that ~~each year~~ we provide ~~projections~~, of the ~~capabilities of~~, the SEQ Water Grid ~~for the next three years~~, to the Queensland Water Commission, as Rules Administrator.

Seqwater, LinkWater and WaterSecure will ~~continue to~~ prepare asset management plans that consider capital investments that are required to ensure each asset can perform the function required of it ~~in accordance with their contractual and legislative obligations.~~ ~~The Grid Service Providers will continue to have responsibility and accountability for their asset portfolio management and of related asset management decisions.~~

It has been agreed by Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager that a consultation process will occur ~~throughout each year leading up to the annual operational planning process for each of the Grid Service Providers.~~ Through this process, individual capital proposals involving expenditure of over \$2 million that are not regionally significant will be assessed to ensure prudence from a whole-of-Grid perspective. This process will complement the existing roles of the Queensland Water Commission and the Grid Service Providers.

- ~~The Queensland Water Commission will continue to plan regionally significant infrastructure to ensure long term water security for the region. It is also presently facilitating a whole-of-Grid planning process and we will continue to support the ongoing refinement of this grid wide framework for planning and delivery of infrastructure.~~
- The SEQ Water Grid Manager will continue to refine the optimised whole-of-Grid Operating Strategy, to meet both the Queensland Water Commission requirements and our contractual obligations to Grid Customers.
- The asset owning entities will continue to plan and propose whole-of-life ~~portfolio level~~ ~~and~~ asset specific plans that ~~improve efficiency of operation~~, meet the whole-of-Grid specification and other regulatory requirements, ~~and deliver sustainable water supply outcomes~~. The entities will also be accountable for the efficient delivery of the projects. ~~The Water Grid Manager will work collaboratively with Grid Service Providers as they develop and finalise their budgets.~~
- The SEQ Distributor-Retailers will continue to provide bulk water specifications to the SEQ Water Grid Manager that will be used as the basis of any whole-of-Grid infrastructure needs.

The SEQ Water Grid Manager will ~~provide its advice~~, as part of its budget submission under the strategic and operational plans.

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If you have any further questions please contact Barry Dennien, Chief Executive Officer, on telephone [REDACTED] or via email at [REDACTED]

Yours sincerely

Gary Humphrys
Chair

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Water Grid Bulk Infrastructure
Planning Process

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Waldman Karen

From: Waldman Karen
Sent: Wednesday, 15 December 2010 3:42 PM
To: Dennien Barry [REDACTED] Peter Borrows; Peter McManamon; Keith Davies
Cc: spiller daniel [REDACTED]
Subject: RE: Planning letter

Hi Barry

The QWC is happy with the letter - you may want to update the date from the 25 November 2010.

Regards, Karen.

From: Barry Dennien [REDACTED]
Sent: Wednesday, 15 December 2010 9:16 AM
To: Peter Borrows; Peter McManamon; Keith Davies; Waldman Karen
Cc: spiller daniel [REDACTED]
Subject: Planning letter

Hi Folks

Please find attached an updated letter. I have kept tracked changes in to assist you. The changes now hopefully reflect the QWC and bulk entity feedback from the last round.

I hope to get this letter away in the next few days.

Regards

Barry Dennien
Chief Executive Officer
SEQ Water Grid Manager
Phone: [REDACTED] | **Fax:** [REDACTED] | **Mobile:** [REDACTED]
Email: [REDACTED]
Visit: Level 15, 53 Albert Street, Brisbane
Post: PO Box 16205, City East Qld 4002
ABN: 14783 317 630

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28/04/2011

TRIM ref: D/10/7240

17 December 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
Brisbane QLD 4002

Dear Minister

I refer to your letter of 20 October 2010, regarding the role of the SEQ Water Grid Manager in providing advice into the planning and approval process for SEQ Water Grid capital expenditure.

You indicated that you wish to ensure that capital expenditure occurs only when necessary and only after all operational solutions have been considered. To this end, you requested our advice that:

- there is a clear and appropriate need for proposed expenditure by Grid Service Providers
- a full range of options have been considered, including alternative ways of operating the SEQ Water Grid and utilising existing infrastructure.

You also requested that the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011–12, in consultation with the Chairs and Chief Executive Officers of the Grid Service Providers.

The key elements of the process are outlined below. We propose to refine the process and timeframes in consultation with Grid Service Providers, the Queensland Water Commission and Queensland Treasury, in parallel with its amendments to the *State Water Authorities Governance Framework*.

We believe that the advice you requested can be provided efficiently and without further cost, building upon existing processes in place. Specifically:

- The *South East Queensland System Operating Plan* requires the SEQ Water Grid Manager to update the SEQ Water Grid Operating Strategy every six months to describe how the SEQ Water Grid will be operated in the next 12 months to meet the forecast demand of our customers. In developing the SEQ Water Grid Operating Strategy, we must consider the impact of our proposal on the region's security over the five years, including the ability of the system to achieve the desired levels of service objectives. We must also consider the efficiency and cost effectiveness of the operating proposals.
- The *Market Rules SEQ Water Market* requires that each year the SEQ Water Grid Manager will provide projections of the capabilities of the SEQ Water Grid for the next three years to the Queensland Water Commission, as Rules Administrator.

Seqwater, LinkWater and WaterSecure will continue to prepare asset management plans that consider capital investments that are required to ensure each asset can perform the function required of it in accordance with their contractual and legislative obligations. The Grid Service Providers will continue to have responsibility and accountability for their asset portfolio management and of related asset management decisions.

It has been agreed by Seqwater, LinkWater, WaterSecure, the Queensland Water Commission and the SEQ Water Grid Manager that a consultation process will occur throughout each year leading up to the annual operational planning process for each of the Grid Service Providers. Through this process, individual capital proposals involving expenditure of over \$2 million that are not regionally significant will be assessed to ensure prudence from a whole-of-Grid perspective. This process will complement the existing roles of the Queensland Water Commission and the Grid Service Providers.

The Queensland Water Commission will continue to plan regionally significant infrastructure to ensure long-term water security for the region. It is also presently facilitating a whole-of-Grid planning process and we will continue to support the ongoing refinement of this whole-of-Grid framework for planning and delivery of infrastructure.

The SEQ Water Grid Manager will continue to refine the optimised SEQ Water Grid Operating Strategy, to meet both the Queensland Water Commission's requirements and our contractual obligations to SEQ Water Grid customers.

The Grid Service Providers will continue to plan and propose whole-of-life portfolio level and asset specific plans that improve efficiency of operation, meet the whole-of-Grid specification and other regulatory requirements, and deliver sustainable water supply outcomes. The Grid Service Providers will also be accountable for the efficient delivery of the projects. The SEQ Water Grid Manager will work collaboratively with Grid Service Providers as they develop and finalise their budgets.

The SEQ Distributor-Retailers will continue to provide bulk water specifications to the SEQ Water Grid Manager that will be used as the basis of any whole-of-Grid infrastructure needs.

The SEQ Water Grid Manager will provide its advice as part of its budget submission under our strategic and operational plans.

Finally, I am pleased to advise that the Grid Service Providers have already commenced a process for ensuring collaboration in the formulation of these infrastructure plans.

If you have any further questions please contact Barry Dennien, Chief Executive Officer, on telephone [REDACTED] or via email at [REDACTED]

Yours sincerely



Gary Humphrys
Chair

Our ref: ME/10/0631

23 DEC 2010

The Honourable Stephen Robertson MP
Minister for Natural Resources, Mines and Energy
and Minister for Trade
PO Box 15216
City East QLD 4002

Dear Minister

Thank you for your letter of 20 October 2010 regarding the planning and approval process for capital expenditure associated with the South East Queensland (SEQ) Water Grid.

You indicated that you wish to ensure that capital expenditure occurs only when necessary, and only after all operational solutions have been considered. You also requested that the SEQ Water Grid Manager provide advice on the need for proposed new and replacement capital expenditure as part of its annual operational planning process and that the Chair of the SEQ Water Grid Manager develop an agreed process and timeframe for the provision of advice from 2011-2012 in consultation with Grid Service Providers.

The Queensland Water Commission (Commission) has worked with the SEQ Water Grid Manager and the Grid Service Providers during the development of our responses to you on this matter. We believe that the advice you requested can be provided efficiently and without further cost, building upon existing processes in place to ensure compliance with the *South East Queensland System Operating Plan* and the *Market Rules SEQ Water Market*.

A consultation process will occur throughout each year leading up to the annual operational planning process for each of the Grid Service Providers. Through this process, individual capital proposals involving expenditure of over \$2 million that are not regionally significant will be assessed to ensure prudence from a whole-of-Grid perspective. This process will complement the existing roles of the Commission and the Grid Service providers.

If you require any further information, please contact Ms Karen Waldman, Chief Executive Officer on [REDACTED]

Yours sincerely

[REDACTED]

Mary Boydell
Commissioner



RECEIVED

7 - FEB 2011

*Secure and efficient water
through partnership and innovation*

D/11/431

3 February 2011

Mr Sam Romano
A/Chief Executive Officer
WaterSecure
Level 2, 95 North Quay
Brisbane QLD 4000

Dear Mr Romano

A handwritten signature in black ink, appearing to read 'Sam'.

I write regarding the SEQ Water Grid Manager review of proposed capital and renewal projects for 2011-12.

As you are aware, on 20 October 2010 the Honourable Minister Stephen Robertson MP, Minister for Natural Resources, Mines and Energy and Minister for Trade requested that the SEQ Water Grid Manager provide advice to the responsible Ministers on the need for proposed new and replacement capital expenditure as part of the annual operational planning process for each of the Grid Service Providers. Specifically, he sought advice that:

- there is a clear and appropriate need for proposed expenditure by the Providers; and
- a full range of options have been considered, including alternative ways of operating the SEQ Water Grid and utilising existing infrastructure.

This advice was sought in relation to proposed expenditure of \$2 million or more, excluding previously committed and regionally significant projects.

On 17 December 2010, the Chair of the SEQ Water Grid Manager wrote to Minister Robertson outlining the agreed process and timeframe for the provision of advice from 2011-12.

The letter advised that a consultation process will occur throughout each year leading up to the annual operational planning process for each of the Grid Service Providers. This process is intended to complement the existing roles of the Queensland Water Commission and the Grid Service Providers.

For the next financial year, Queensland Treasury has advised that draft strategic and operational plans are due to be provided to the responsible Ministers by 31 March 2011. To meet this timeframe, I request that you provide information by Friday 11 February 2011 regarding any proposed projects involving expenditure of \$2 million or more. We will seek to prepare our advice on these proposals by the end of February 2011, depending upon the number of projects and information provided.

At a minimum, the following information should be provided for each project:

- need in terms of security, cost, quality and/or reliability and with risk assessments
- options considered, including operational changes and use of existing assets
- scope, timing and cost of preferred option
- previous approvals, if available.

Where a project is scheduled to occur over several years, the project cost should be the total over those years.

Depending upon the number of proposals, we may schedule a workshop involving all three Grid Service Providers to discuss the proposals. Alternatively, we may speak directly to each entity.

In the meantime, please contact Mr Daniel Spiller, Director Operations, on telephone [REDACTED] or via email at [REDACTED] if you require any further information.

Thank you in advance for your assistance.

Yours sincerely



Barry Dennien
Chief Executive Officer

C.C. Ms Karen Waldman,
Chief Executive Officer, Queensland Water Commission.