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24 May 2024

Mr Charles Millstead
Chief Executive Officer
Level 27, 145 Ann Street
Brisbane QLD 4000

Dear Mr Millstead,

Sunwater Limited | Irrigation Pricing Review 2025-26 to 2028-29

Sunwater wishes to make a brief supplementary submission in response to stakeholder submissions received by the QCA and published on its website.

We acknowledge the mixture of 19 organisations and three individuals who took the time to make submissions to the QCA as part of the initial review of Sunwater's Irrigation Pricing Proposal for the 2025-26 to 2028-29 period. We understand that the QCA will consider these submissions as it conducts its review.

Sunwater undertook extensive engagement with customers in preparing our submission to the QCA, informing all of our 4,372 irrigation customers and hosting 371 attendees at in-scheme forums. Many of the themes in the stakeholder submissions align with, or are extensions of, the feedback we responded to throughout 2023, including direct feedback from 369 customers on specific pricing and cost-related proposals.

We make this submission to acknowledge some persistent themes presented by stakeholders and to address statements that Sunwater feels unfairly call into question our approach to customer engagement during the development of our pricing proposal.

Acknowledgement of major themes

Theme 1: Clear focus on cost

Sunwater acknowledges areas of clear interest for customers relating to our forecast costs, and concern about rising costs in general. We recognise significant customer interest around our project to deliver an integrated, fit-for-purpose billing, water accounting and customer relationship management system.

We have already advised the QCA of our approach to minimise impact from this project on our customers, including seeking to recover the cost of implementing the system over a 20-year period. Outside of this project we have also outlined changes that have reduced our cost forecast as submitted, including lowering our 2023-24 insurance premiums and 2023-24 electricity costs to reflect actual costs/tariffs now they are known.

Sunwater looks forward to examining and responding to the QCA's Draft Report to inform our next round of engagement and improve the way we communicate with customers and the QCA.

Theme 2: Feedback on proposals

The stakeholder submissions also touch on the three proposals Sunwater took to customers as it developed its pricing proposal.

1. Shifting to a RAB-based recovery of renewals expenditure
2. Refreshing Sunwater's Service and Performance Plans
3. Introducing an Electricity Cost Pass-through mechanism in selected schemes.

Feedback on these three proposals can be characterised as:

- a desire for ongoing visibility of plans and scheme performance
- an expression of group preferences in relation to the renewals cost recovery proposal – this feedback is driven by groups in the Burdekin and Bundaberg schemes and appears to reinforce the outcomes of the GoVote process
- framework matters such as the application of a weighted average cost of capital or taxation allowance.

Sunwater does not propose to address each element of stakeholder feedback provided, noting that these submissions were made to the QCA and that a comprehensive response will be better made once the QCA's draft views are known.

We do however want to reassure our customers (and the QCA) that ongoing visibility of our activities remains a core Sunwater commitment. For example, feedback from Canegrowers Queensland talks to reduced transparency if the long-term forecast of capital expenditure is no longer provided. We would like to reassure our customers that any shift to a RAB methodology does not preclude the periodic publication of long-term forecasts that can help customers understand our long-term plans.

We will continue to work with irrigators in each scheme to provide valued information outside the price path process to build and maintain confidence in Sunwater's commitment to delivering services today, tomorrow and into the future.

Theme 3: A range of scheme-specific matters

A number of stakeholder submissions reference individual scheme-specific matters. Sunwater proposes to respond to these as required during the QCA's review phase (for example, responding to requests for information) and/or during the Draft Report review phase. Examples in this regard include appropriate tariff structures in the Burdekin channel, relationships with adjacent services, and the role and use of the Mirani Diversion Channel.

Balancing misleading statements relating to engagement

Two stakeholder submissions make statements that are not supported by the activities we undertook with customers during the development of our pricing proposal.

Cotton Australia

Cotton Australia's submission provides a dedicated section entitled "misleading pricing information". Sunwater is disappointed in this commentary and rejects its assertions on the following basis:

1. Customers were not misled on the "temporary" nature of the annuity balance return and its impact on prices. This was communicated directly during in-scheme engagement activities and was particularly evident in materials made available to all customers during Stage 2. This Stage 2 material presented a comparison between both an annuity-based and a RAB approach to renewals recovery over a period of three nominal price paths to clearly articulate the impact of the proposed change. The GoVote process was conducted shortly after the sharing of Stage 2 material and the conclusion of in-scheme engagement during that phase.
2. Customers and Consultative Committee members, having been made aware of the material prepared and the pass-back of Dawson's forecast annuity balance, made no representations to Sunwater that this was misleading, nor did they request a different method of presentation.
 - a. Throughout its proposal development process, Sunwater demonstrated a willingness to take on feedback and adapted its approach. This is evidenced by the additional detail prepared and presented in scheme relating to the renewals program in Stage 3.
 - b. This issue was presented similarly in the Burdekin and Mareeba schemes (where other positive balance returns are forecast), with no customer feedback that they were misinformed or unaware of the temporary nature of the revenue lowering.

Prices were presented to customers in both Stage 2 and Stage 3 engagement materials, both online and at customer forums in schemes, including the Dawson scheme.

https://www.sunwater.com.au/wp-content/uploads/Home/Projects/Irrigation-Price-Path/Stage%202/Presentations/Dawson_Valley_Water_Supply_Scheme_Stage_Two_presentation.pdf

Relevant slides are reproduced as ***Attachment 1***.

Sippel D&S

Sunwater rejects the assertion that it did not provide suitable notification about meetings held in the consultation process.

Sunwater contacted all customers across all three rounds of engagement, and multiple customers from the Barker Barambah scheme attended the in-person forums during each stage.

Any individual customer in the Barker Barambah (or any scheme) who wishes to amend their contact details with Sunwater is encouraged to do so. We note that contact details are generally kept up to date as part of the billing process, so we expect minimal examples of out-of-date contact details.

Draft Report

Sunwater looks forward to the receipt of the QCA's Draft Report and will continue to work constructively and transparently with the QCA, its consultants and most importantly, our customers.

We encourage any irrigation customers with questions, queries or concerns over any aspect of our proposal to continue to reach out to us so that we can understand and respond to those concerns.

Yours sincerely



Glenn Stockton AM
Chief Executive Officer

Attachment 1 – extracts from published Dawson Supply Scheme Stage 2 Presentation pack

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Attachment 1 – extracts from the published Dawson Supply Scheme Stage 2 Presentation pack

Sunwater has modelled revenues and prices under both methodologies to support customer consideration of this proposal

PROPOSED FUTURE STATE – WHAT DOES IT MEAN FOR PRICES?

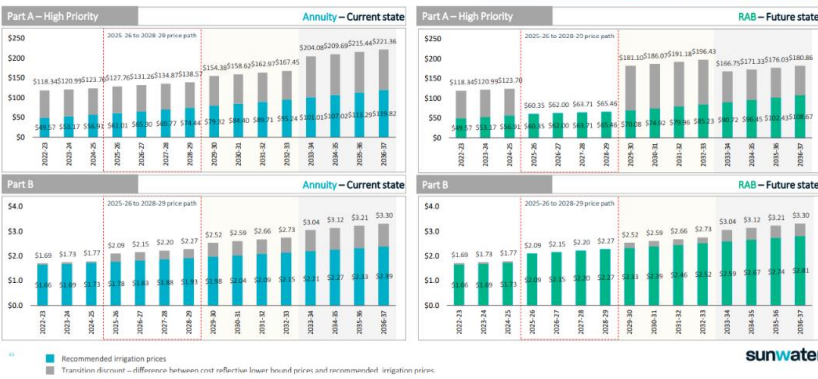
- Sunwater has modelled prices under both methodologies for each scheme
 - Across 12 years, representing three four-year price path periods
 - Using an estimated WACC (held constant over time)
 - Using common 41-year forecast expenditure profile (required for a 12-year annuity contribution forecast under Sunwater’s rolling annuity approach)
 - Returning positive annuity balances to customers in the first 4 years
 - Rolling outstanding annuity liabilities (negative balances) into a (positive) starting RAB balance
- Forecasts shown for years 5 to 12 are indicative only and DO NOT form part of this proposal – they are intended to illustrate the likely changes in relative pricing over time derived from the different methodologies



The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Dawson Valley – River (Local management supply)



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