

Proserpine River Water Supply Scheme

Irrigation Price Path 1 July 2025 to 30 June 2029

We are developing a pricing proposal to submit to the Queensland Competition Authority (QCA) in late 2023.

The QCA will review this proposal in line with its requirements under the *Queensland Competition Authority Act 1997* and any conditions set out in a Referral Notice, before making a recommendation back to the Queensland Government.

Our proposed future prices for your scheme are set out in this document. A more detailed presentation is available at www.sunwater.com.au/price-path/factsheets

Scheme overview



62,876 ML in entitlements, with an average annual usage of 26,440 ML



83 irrigation customers



Peter Faust Dam

Key operations and maintenance activities



Dam and weir inspections



Corrective maintenance due to ageing assets

Pricing tariffs



Two tariff groups - Proserpine River and Kelsey Creek Water Board - each with fixed (Part A) and variable (Part B) charges.

How irrigation prices are set

A five-step price setting process leads to a four-year price path in each regulated scheme. There are differences in each scheme that impact pricing, such as risk entitlements, water harvesting or whether there is a scheme distribution system.

Price setting process

Step 1

Allocate revenue by charge type (variable or fixed)

Step 2

Allocate fixed revenue to priority group allocation buckets

Step 3

Allocate fixed revenue to priority group

Step 4

Calculate cost reflective prices

Step 5

Determine recommended prices

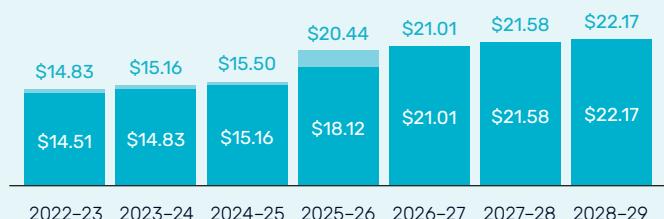
Our operating environment

Our draft cost and pricing proposal reflects a challenging operating environment over the past few years and as we look ahead. Key impacts include:

- global events such as COVID-19 and the war in Ukraine and their implications for both inflation and availability of goods and services (including labour)
- natural disasters – both here and overseas – which have continued to place upward pressure on insurance premiums
- national and international factors that have contributed to higher energy prices
- rising interest rates which have increased the cost of debt
- an ageing workforce – particularly in regional areas – meaning we need to invest in resilience and business continuity
- ageing Sunwater assets which require upgrades to extend their life.

Proposed pricing breakdown under current annuity approach

Part A



Part B



*Renewals expenditure is currently recovered via an annuity contribution which is a key element of customers prices. The annuity approach is complicated, inefficient and lacks transparency and we are proposing a change to a RAB-based approach.



Proposed changes

Sunwater is committed to proactive and ongoing engagement with our customers and acknowledges the feedback we have received over the past few years. We have been engaging more recently with customers and peak body representative groups, via a Consultative Committee, to identify any issues we need to consider as part of our pricing proposal, and to ensure our customers are aware of, and able to participate in, the irrigation price path review process.

The Consultative Committee has helped shape proposals on service and performance plans changes and a permanent electricity cost pass-through for relevant schemes. It also supports Sunwater engaging with customers regarding a proposal to change renewals cost recovery.

- Service and performance plan refresh – a proposal for a revamp of the service and performance planning process and content, delivering a greater and more timely focus on reporting of actuals

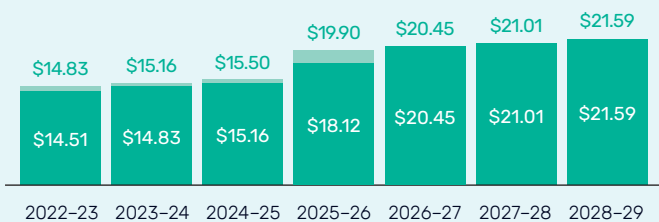
- Permanent electricity cost recovery – a proposal for a permanent and symmetrical electricity cost pass-through mechanism in our seven schemes with large electricity consuming assets (i.e. pump stations)
- Renewals cost recovery – a proposal to change the way renewals expenditure is funded through your prices.

Detailed factsheets on each of these proposals are available online at

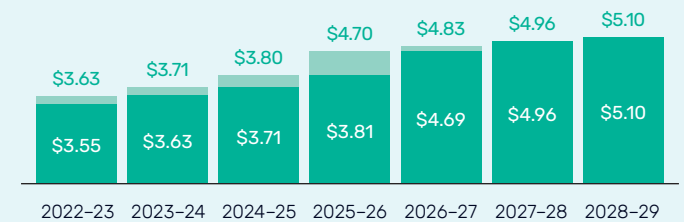
www.sunwater.com.au/projects/price-path/factsheets

Proposed pricing breakdown under a regulated asset base (RAB) approach

Part A



Part B



Legend

\$XX.XX \$XX.XX

Cost reflective price

\$XX.XX \$XX.XX

Recommended

■ ■

Difference between cost reflective and recommended

- prices shown do not include the 15% discount currently applied to irrigation prices consistent with the terms of the referral notice
- this is a breakdown of draft prices under either an annuity (in blue) or RAB (in green) approach.



Complete

Stage 1

Learn how irrigation prices are set

March to May 2023

Customers had the opportunity to attend customers forums and learn about:

- how irrigation prices are set
- how Sunwater is developing the pricing proposal.

We want your feedback

Stage 2

First look at draft future prices

June and July 2023

Sunwater's proposed cost and price outlines for each scheme are distributed and presented, and customer feedback is sought.

To gauge support for the changes we are proposing, we will invite online feedback from all irrigation customers in impacted schemes. We will provide more information on this process in the coming weeks.

Stage 3

Our pricing proposal

August to October 2023

Having considered customer feedback, our final proposal will be shared.

Scheme-specific factsheets and presentations are at www.sunwater.com.au/projects/price-path/factsheets

Stay informed

We will update our website as the project progresses.

www.sunwater.com.au/projects/price-path

Get in touch

pricepath@sunwater.com.au

sunwater