

Proserpine River Water Supply Scheme

Scheme Summary

Irrigation pricing proposal

1 July 2025 to 30 June 2029

Context

Proserpine River Water Supply Scheme (Proserpine River) prices were set (gazetted) for the period 2020-21 through to 2024-25 (current period) via Rural Pricing Direction Notices issued by the Queensland Treasurer in 2020¹, 2021² and 2023³.

In early 2023, the Queensland Government directed the Queensland Competition Authority (the QCA) to recommend prices for Proserpine River irrigation services for the next price path period, covering **1 July 2025 to 30 June 2029**.

This scheme level summary forms part of Sunwater’s submission to the QCA and provides irrigation customers with an overview of our proposal. It should be read in conjunction with the complete submission and includes:

- proposed prices and their basis
- engagement with customers, their feedback and how it was addressed

- operating and renewals expenditure forecasts
- the overall revenue requirement.

Entitlements and usage

Proserpine River holds total water access entitlements (WAE) of 62,876ML (**Figure 1**). Most entitlements are medium priority and held by customers who use water for irrigation purposes.

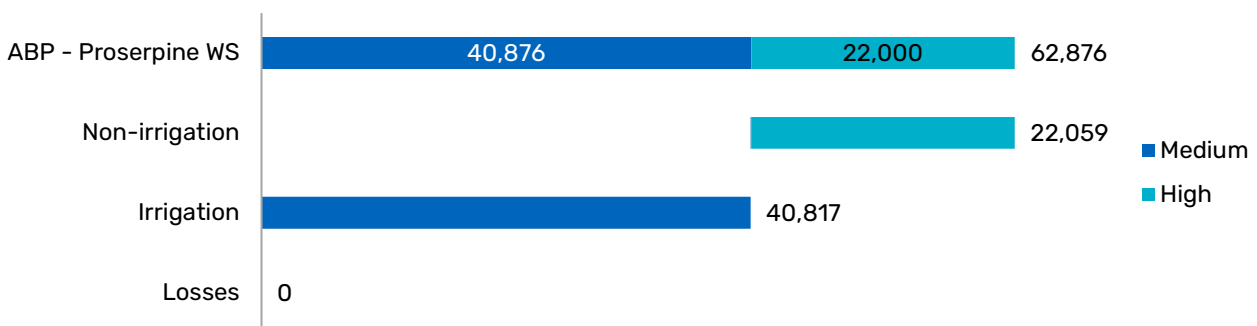
Long-term (20-year) average annual usage in the scheme is 24,223ML per annum. This is equivalent to 38.5 per cent of total WAE, down from 42.1 per cent at the time of the last irrigation pricing review.

Tariff groups

At the last price review two tariff groups existed due to historical pricing practices / policies, however Proserpine River prices are not differentiated on cost.

In practical terms there is only one tariff group in this scheme. One set of prices is shown in this document. These prices apply to both historical tariff groups (Proserpine River, and Proserpine River – Kelsy Creek Water Board).

Figure 1 - Proserpine River water access entitlements (as at 30 June 2023)



¹ Queens and Government Gazette No. 67 (July 2020) Sunwater Rural Water Pricing Direction Notice (No. 1) 2020
² Queens and Government Gazette No. 25 (June 2021) Sunwater Rural Water Pricing Direction Notice (No. 1) 2021

³ Queens and Government Gazette No. 54 (March 2021) Sunwater Irrigation Water Pricing Direction Notice (No. 1) 2023

Proposal in summary

During engagement with scheme customers, Sunwater outlined proposed operating costs and renewals expenditure required to deliver irrigation services over the next price path period; required revenue and price calculations; as well as a potential cost recovery change with implications for customer prices. Balancing what we heard from customers with the benefits and risks of these changes we propose to:

1. recover renewals expenditure via a regulated asset base (RAB) methodology
2. refresh our Service and Performance Plans (S&PPs).

Further information relating to engagement outcomes is provided in the following section.

Proposed prices by tariff group

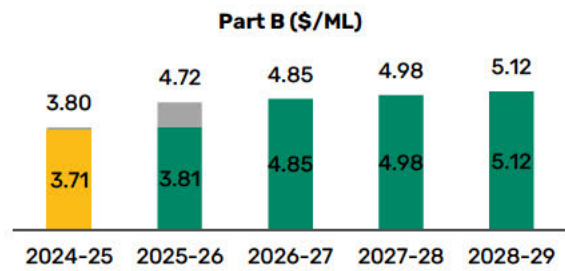
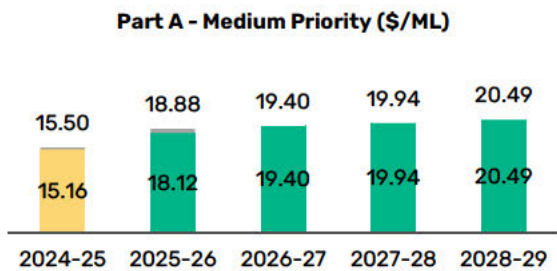
The prevailing price for 2024-25 is shown for comparison purposes with forecast prices for the review period. All discounts have been removed for ease of comparison. The green bars within the below chart reflect recommended irrigation prices for the price path period. Values shown at the top of the chart reflect cost-reflective prices for the charge. The grey bar element reflects the component of cost-reflective prices that Sunwater recovers via a community service obligation payment from the Queensland Government.

Prices reflect a RAB methodology.

Legend:

- / ■ Irrigation price (gazetted)
- / ■ Recommended irrigation price (proposed)
- / ■ Cost reflective irrigation price (proposed)

Proserpine River (including Kelsey Creek Water Board)



Engagement

Sunwater contacted all Proserpine River irrigation customers multiple times during the development of the pricing proposal.

How we engaged

Over the course of the last price path Sunwater has implemented a series of initiatives to improve customer experience and enable us to better understand and meet customers' needs and expectations. These initiatives include the Sunwater Customer App, the Online Portal, the introduction of the Water Trading Board, a formalised complaints and feedback process, and the establishment of Customer Advisory Committee forums.

Reflecting this shift, Sunwater established a three-stage stakeholder engagement strategy for this price path to inform and consult with customers during the submission development process.

We ensured every irrigation customer who wanted to engage could do so, by hosting:

- face-to-face customer meetings in this scheme during each of the three stages of engagement
- three online forums open to irrigation customers in all schemes.

We distributed and published project communication materials, including fact sheets and copies of presentations delivered at meetings, to ensure all customers had the opportunity to:

- learn about how irrigation prices are set
- review draft future costs and prices
- learn about and provide feedback on proposed changes to:
 - Service and Performance Plans
 - renewals expenditure recovery through irrigation prices.



- ✓ Dedicated project website and email



- ✓ 1 scheme summary report



- ✓ Emails and SMS sent about proposals and GoVote process
- ✓ Invitations sent via email, SMS and letter
- ✓ SMS reminders



- ✓ Irrigation Customer Invoice Calculator



- ✓ 4 fact sheets
 - RAB
 - S&PPs
 - Stage 1 & 2 scheme specific overviews



- ✓ 3 face to face meetings
- ✓ 3 online meetings

What we heard

During our meetings we discussed matters of interest (**Table 1**) to Proserpine River customers. Generally, we were able to address questions and queries in the meeting. Based on discussion during these meetings, key actions undertaken for Proserpine River included detailing additional information on renewals expenditure in our Stage 3 engagement material on future costs for the scheme (depicted by cost spikes in the renewals forecast).

This information is contained in the **Expenditure Focus** section of this summary.

GoVote

Twelve Proserpine River customers responded to the online survey, representing approximately 15.4 per cent of eligible irrigation customers. Customers received multiple communications about the opportunity to participate from both Sunwater and the provider, GoVote. For a full explanation of the GoVote process and how Sunwater used this information to finalise its proposal, refer to the Customer Engagement chapter of Sunwater's pricing submission.

Table 1 - Key customer interests

Forum details	Attendees	Key customer interests
Stage 1 engagement		
<p><i>Forum:</i> Face-to-face engagement with <u>Proserpine River</u> customers</p> <p><i>Theme:</i> Learn how irrigation prices are set and how you can be involved in influencing Sunwater's pricing submission to the QCA</p>	8	QCA review Increased lower bound prices Recreation areas Previous Price Path submission
<p><i>Forum:</i> Teams webinar, <u>all schemes</u> invited</p> <p><i>Theme:</i> Learn how irrigation prices are set and how you can be involved in influencing Sunwater's pricing submission to the QCA</p>	12	
Stage 2 engagement		
<p><i>Forum:</i> Face-to-face engagement with <u>Proserpine River</u> customers</p> <p><i>Theme:</i> Draft future prices and the following proposals for customer feedback:</p> <ul style="list-style-type: none"> changes to Service and Performance Plans changes to the way renewals expenditure is recovered through irrigation prices 	2	Submission process Inflation Annuity fund QCA review Part A fixed charges Sunwater cost transparency
<p><i>Forum:</i> Teams webinar, <u>all schemes</u> invited</p> <p><i>Theme:</i> Draft future prices and proposals for customer feedback</p>	15	Community Service Obligation
Stage 3 engagement		
<p><i>Forum:</i> Face-to-face engagement <u>Proserpine River</u> customers</p> <p><i>Theme:</i> Outline Sunwater's pricing proposal, having taken into account customer feedback and preferences</p>	5	Acknowledgment of Country Customer numbers SCADA
<p><i>Forum:</i> Teams webinar, <u>all schemes</u> invited</p> <p><i>Theme:</i> Outline Sunwater's pricing proposal, having taken into account customer feedback and preferences</p>	7	RAB v annuity

Other feedback

Canegrowers Proserpine wrote on behalf of its members, expressing general support of Sunwater’s three key proposals.

The group also questioned the percentage increase in Part A and B prices when compared to other schemes, expressing a concern about the impact on growers. A recommendation was put forward to reduce the percentage increase.

A copy of their correspondence and Sunwater’s response is appended to this document.

Proposal to change the method of renewal cost recovery

This proposal was put forward as a change to all water supply schemes. Considering feedback from all sources (including the GoVote results shown on **Figure 2**, **Figure 3** and **Figure 4**), and the benefits to be gained, Sunwater has included a shift to a RAB-based recovery of renewals expenditure as part of its submission.

Our full reasoning for adopting a RAB-based renewals recovery proposal is outlined in Sunwater’s pricing submission.

Proposal to refresh Service and Performance Plans

This proposal was put forward as a change to all water supply schemes. Considering feedback from all sources, and the benefits to be gained, Sunwater proposes to adopt the refreshed S&PPs format and process.

Our full reasoning is outlined in Sunwater’s pricing submission.

Figure 5 reproduces the overall responses we received during our GoVote process.

Figure 2 - How schemes responded to the RAB proposal – question and responses

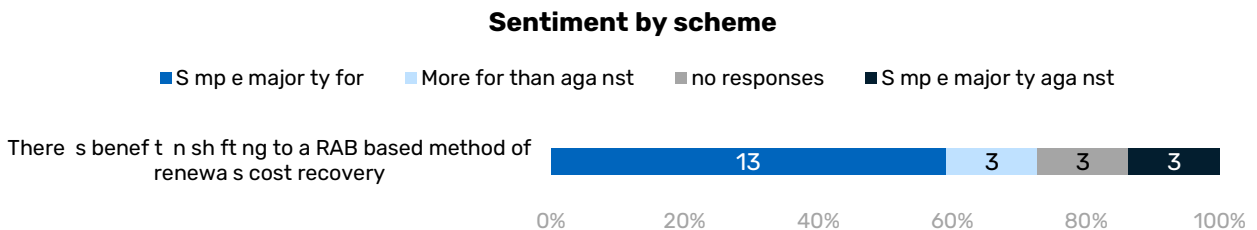


Figure 3 - How Proserpine River responded to the RAB proposal – question and responses

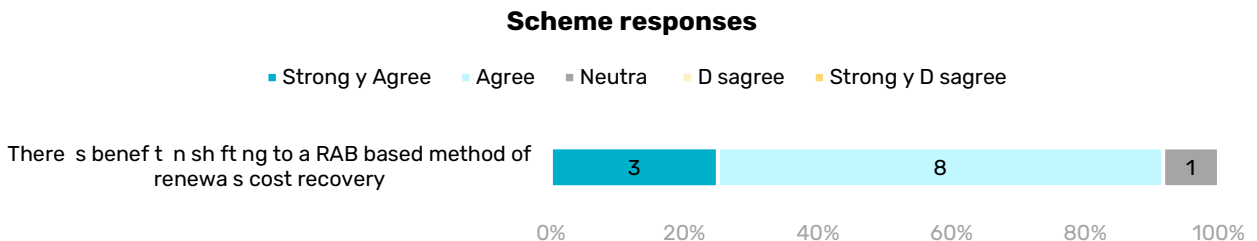


Figure 4 - How Sunwater's irrigation customers responded to the RAB proposal – question and responses

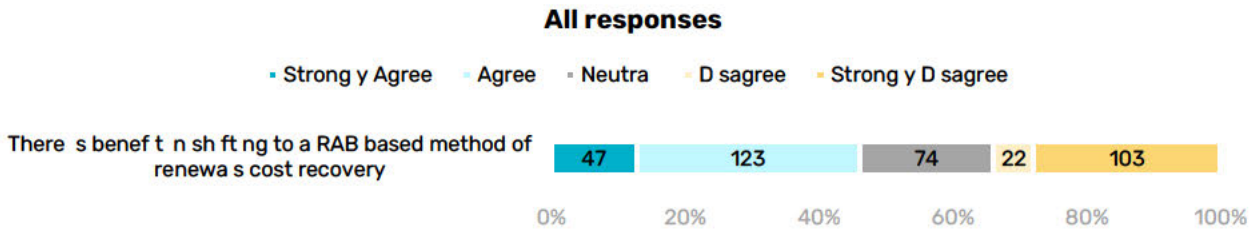
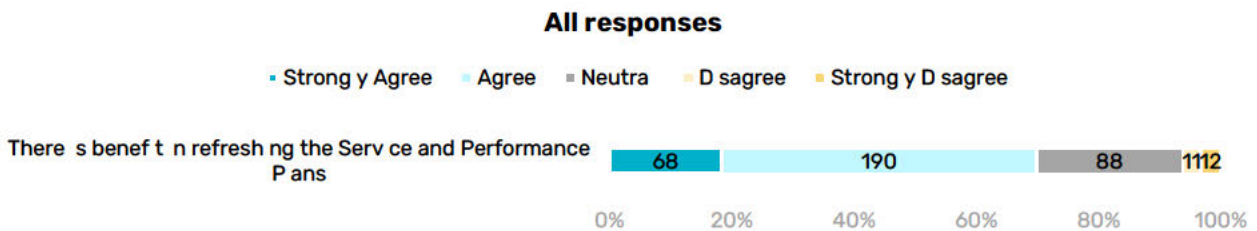


Figure 5 - How Sunwater's irrigation customers responded to the S&PP proposal – question and responses



Service standards

The current service standards that apply for the Proserpine River scheme were included as part of our Stage 2 engagement. These are the customer service standards that drive the work we do and influence operations, maintenance, and renewals expenditure in this scheme.

Table 2 - Service standards for Proserpine River

Service standards	Standard	Target
<i>Planned shutdowns – notification</i>	For shutdowns planned to exceed 2 weeks	8 weeks
	For shutdowns planned to exceed 5 days	3 weeks
	For shutdowns planned to be less than 3 days	7 days
<i>Unplanned shutdowns – notification</i>	Affected customers will be notified of the likely duration of the interruption to supply	Within 24 hours of Sunwater learning of the event or by the end of the first business day following the event, whichever is the earlier
<i>Maximum number of interruptions</i>	Planned or unplanned interruptions per water year	10
<i>Meter repairs</i>	Faults causing restrictions to supply will be repaired	2 working days
<i>Complaints and enquiries</i>	Initial response (Acknowledge)	5 working days
	Resolve or provide written response	21 days

Expenditure focus

This section shows the final forecast operating expenditure (opex) and renewals expenditure for the Proserpine River scheme.

Operating expenditure

Sunwater’s opex forecast was developed using the base-step-trend methodology presented in our pricing submission.

Sunwater’s proposed base year (2022-23 actuals after adjustments) of \$1.52M is shown on **Figure 6** and is \$0.18M (14 per cent) higher than the QCA’s allowance for the same year (after adjustment for actual inflation).

Key drivers of this difference include:

- increases in categories such as labour (direct) and support costs, other expenditure (which includes land tax, rates and vehicle leasing, which was previously captured under support costs), and insurance
- decreases in materials and contractor costs.

Operations and maintenance have been split into other direct costs, materials, contractors, and direct labour to better explain the drivers of higher costs.

Support costs include indirect activities (those that support a specific direct activity such as dam safety, pricing and regulation, and water planning); and local and corporate support, such as depots, local administration teams and offices, finance, payroll, procurement, human resources, information and communications technology, cybersecurity, and other necessary costs of doing business.

Price path opex forecast

The Proserpine River opex forecast for the price path period is shown in **Table 3**.

The base-step-trend approach to develop our forecasts is described in detail in Sunwater’s pricing submission. In summary, we take the base-year (**Figure 6**) and apply assumptions relating to inflation plus a step change in opex associated with our billing system renewal.

Table 4 shows how the relative mix of opex cost categories is changing under Sunwater’s forecast prices.

Figure 6 - Scheme level breakdown of difference between Sunwater’s base year and QCA allowance (2022-23)

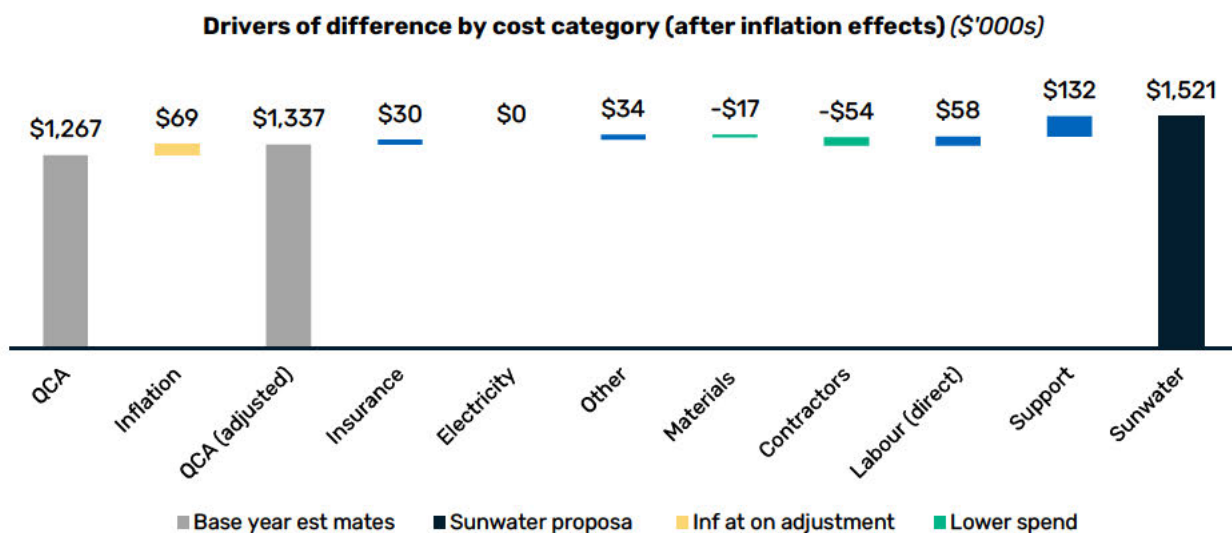
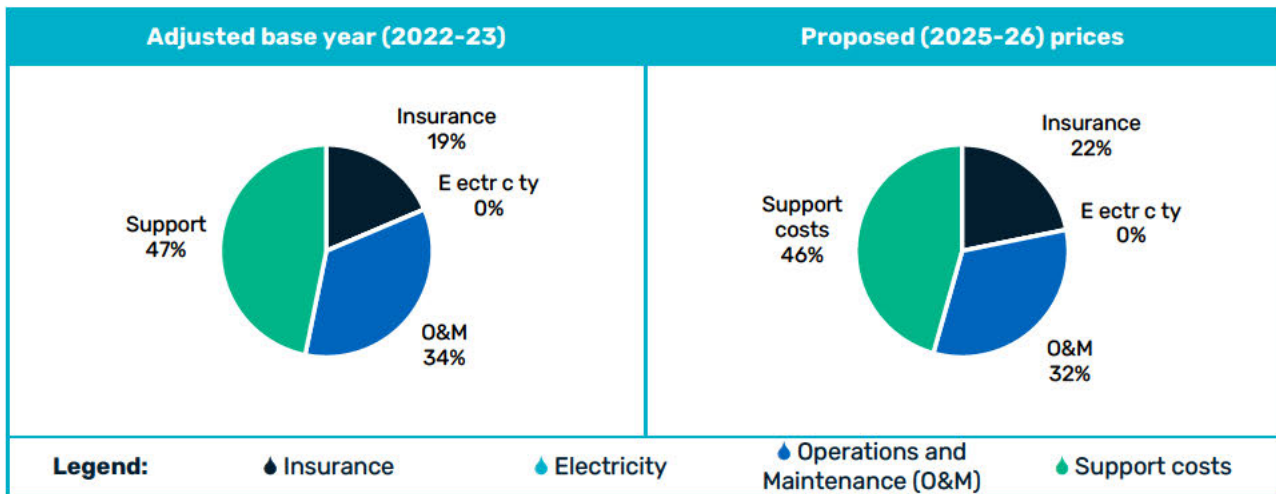


Table 3 - Proserpine River opex forecasts for price path period (\$'000s)

Cost categories	2025-26	2026-27	2027-28	2028-29
Insurance	\$385.2	\$394.4	\$403.2	\$411.3
Electricity	\$0.0	\$0.0	\$0.0	\$0.0
Operations and maintenance ¹	\$575.4	\$589.3	\$601.8	\$613.7
Support costs	\$806.2	\$824.1	\$841.6	\$858.5
Opex - BST sub-total	\$1,766.8	\$1,807.8	\$1,846.6	\$1,883.5
Renewals opex	\$60.0	\$199.4	\$520.9	\$269.4
Opex total	\$1,826.8	\$2,007.2	\$2,367.5	\$2,152.9

Note 1: Includes preventative and corrective maintenance categories.

Table 4 - Relative contribution of major opex categories to total opex (prior to cost transfers)



For each dollar of total opex spent, the percentages shown reflect the cents the category contributes.

Forecast premium increases mean that insurance costs will account for a more significant portion of total opex for Proserpine River over the price path period.

Renewals opex has been excluded as this is a new category that applies under a RAB-based recovery of renewals expenditure.

Renewals (capital)

This section addresses actual renewals expenditure for the 2019-20 to 2022-23 period, forecasts for the remainder of the current pricing period (2023-24 to 2024-25) and forecasts relevant for the price path period. Sunwater's approach to the delivery and forecast of renewals expenditure is set out in our pricing submission.

Discussion of current period expenditure is presented with reference to the annuity funding methodology, while forecasts for the price path period refer to the RAB-funding methodology.

As Sunwater’s RAB-funding methodology is a proposal for assessment by the QCA and Government, the full forecast required for an annuity-funding methodology is presented for completeness.

Current period (plus roll-forward)

Sunwater expects to have delivered \$2.5M in renewals activities for the 2019-20 to 2024-25 period. The QCA allowance⁴ for the same period was \$3.0M. This is shown in **Table 5** which also includes the roll-forward of annuity expenditure from the QCA’s 2018-19 closing balance to 30 June 2025.

Proserpine River is forecast to have a negative annuity closing balance.

The opening RAB balance for the Proserpine River Scheme has been set at \$0.52M, consistent with the approach set out in Sunwater’s pricing submission.

Significant projects delivered (or forecast to be delivered) in this period (by value) are shown in **Table 6**.

Price path period

Sunwater’s submission document describes in detail the way we have developed our renewals expenditure forecast for the next price path period.

Table 5 - Current pricing period expenditure and renewals annuity roll-forward (\$'000s)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast		
			<i>Current price path period</i>						
Opening balance		-\$564.4	-\$610.7	-\$537.2	-\$392.0	-\$223.3	-\$609.5	Aggregate spend -\$2,498.1	
Expenditure		-\$238.4	-\$347.7	-\$314.7	-\$315.6	-\$881.7	-\$400.0		
Insurance proceeds									
Annuity Contribution		\$216.8	\$447.8	\$483.3	\$501.5	\$505.3	\$516.6		
Interest		-\$24.7	-\$26.7	-\$23.5	-\$17.1	-\$9.8	-\$26.6		
Closing Balance¹	-\$564.4	-\$610.7	-\$537.2	-\$392.0	-\$223.3	-\$609.5	-\$519.5		

Note 1: Closing balance for 2018-19 was set by the QCA at the last pricing review. The calculated (forecast) 2024-25 value is used to set the opening balance of the regulated asset base for the price path period.

Table 6 - Significant projects (by value) delivered in this period (\$'000s)

Project name	Year	Value
20PR007 Peter Faust Dam CRA	2020-25	\$873.6
24PR06 - Peter Faust Dam - Refurbish - Regulator and Guard Valve	2023-24	\$379.7

⁴ Revenue Model issued by QCA with its Final Model (January 2020)

Table 7 shows the forecast for Proserpine River for the price path period, with a focus on the top five programs by aggregate spend. Each program forecast comprises a mix of capex and opex, with values separated at the bottom of the table used for the setting of prices.

A program comprises several individual projects that have common characteristics. For example, a valve replacement program will comprise multiple valve replacements over the period. The justification (need) for each project within a program is generally the same and similar approaches are typically adopted for the estimation of project costs.

The largest projects (outside major programs) forecast to be delivered in this period (by value) are shown in **Table 8**.

An additional \$0.707M in capital expenditure (not shown in **Table 7**) has been added to 2025-26 as the Proserpine River portion of the \$42.4M whole-of-business project to renew Sunwater's billing system.

Beyond price path period

Expenditure beyond the price path is not relevant to the setting of prices for the 2025-26 to 2028-29 period under a RAB methodology. It is presented in **Figure 7** for completeness. This profile underpins the alternative annuity-base prices presented in the **Revenue and pricing** section of this summary.

Significant (by value) projects forecast for completion between 2029-30 and 2057-58 are shown in **Table 9**. Expenditure commencement dates are shown. For programs, expenditure will typically occur throughout the period.

Table 7 - Price path period – forecast renewals expenditure (\$'000s)

Category	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
20. Dam Safety Management Program	\$0.0	\$416.2	\$0.0	\$0.0	\$416.2	24%
12. Civil and Roads (inlet / outlet towers)	\$0.0	\$110.9	\$0.0	\$76.3	\$187.2	11%
17. Arc Flash Program	\$108.1	\$67.0	\$0.0	\$0.0	\$175.1	10%
5. Dam-Related Works Program	\$0.0	\$0.0	\$0.0	\$138.8	\$138.8	8%
6. Safety and Security Assets Renewal Program	\$19.0	\$44.2	\$31.9	\$0.0	\$95.2	6%
Remaining programs	\$41.0	\$77.2	\$86.2	\$0.0	\$204.3	12%
Sub-total – programs	\$168.1	\$715.5	\$118.1	\$215.1	\$1,216.8	71%
Projects not captured in programs	\$0.0	\$0.0	\$402.9	\$98.2	\$501.1	29%
Total	\$168.1	\$715.5	\$520.9	\$313.4	\$1,717.9	100%
<i>Capex</i>	\$108.1	\$516.1	\$0.0	\$43.9	\$668.1	39%
<i>Renewals opex</i>	\$60.0	\$199.4	\$520.9	\$269.4	\$1,049.8	61%

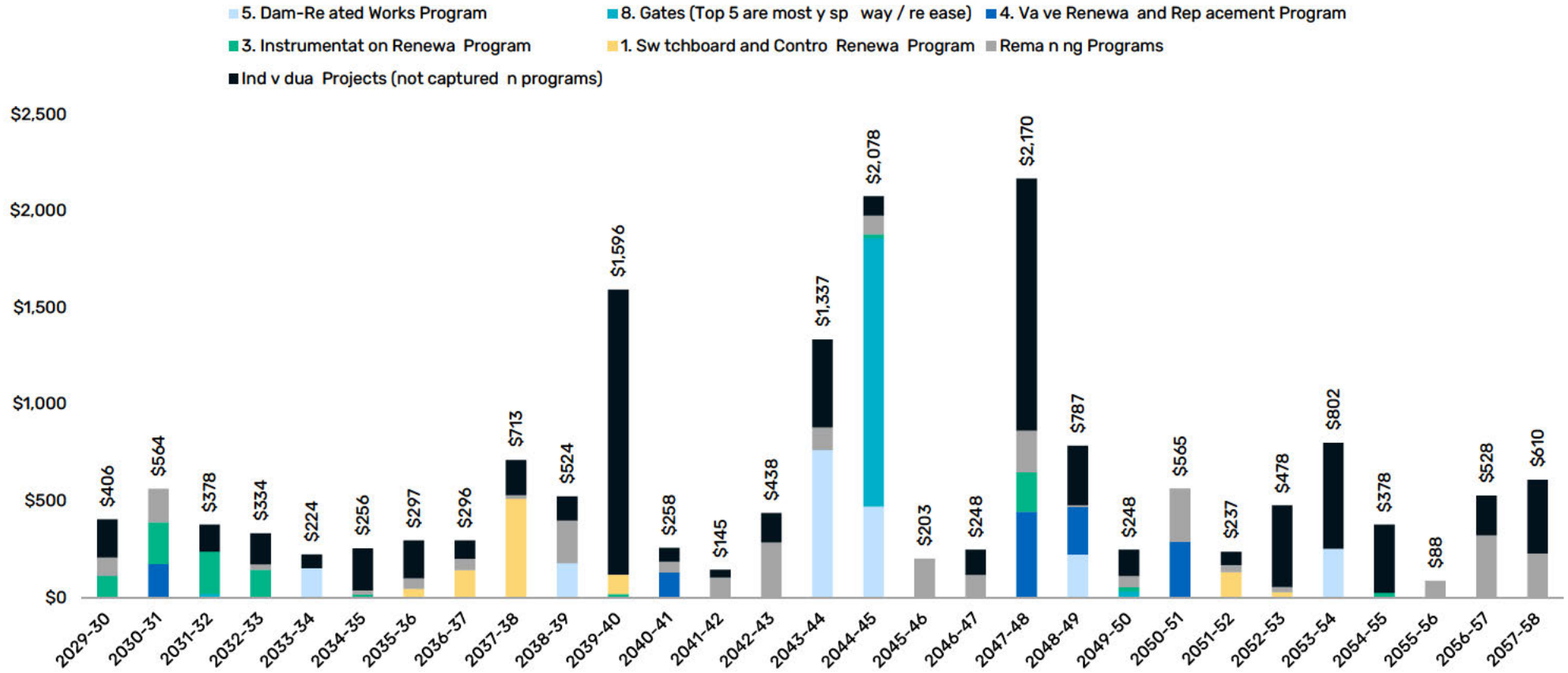
Table 8 – Significant individual projects (by value) to be delivered during the price path period (\$'000s)

Project name	Year	Value	Percentage total
Refurbish 900 Dia B/Fly Guard Valve - Kelsey Creek Pipeline - Peter Faust Dam Offtake	2028	\$168.8	10%
Refurbish Crest Road - Peter Faust Dam - Main Wall Embankment	2027	\$135.3	8%
Study: Dam Safety Inspection - Peter Faust Dam	2029	\$120.6	7%

Table 9 - Key projects beyond the price path period (2029-30 to 2057-58) period (\$'000s)

Project name	Commencement year	Value	Percentage total
Refurbish Downstream Face - Peter Faust Dam - Main Wall Embankment	2045	\$1,389	8%
Major Refurbishment of Spillway Approach Channel - Peter Faust Dam	2039	\$1,207	7%
Comprehensive Risk Assessment - Peter Faust Dam	2025	\$1,036	6%
Study: Dam Safety Inspection - Peter Faust Dam	2029	\$879	5%
Replace Cables & Cableways - Peter Faust Dam - Electrical Systems	2037	\$635	4%
Other	Varies	\$12,041	70%
Total		\$17,187	

Figure 7 - Expenditure by major program beyond the price path period (relevant under an annuity method of cost recovery)



Revenue and pricing

This section shows the final revenue requirement at scheme level. Values shown are prior to allocation to fixed (high or medium priority) or variable charges. These values represent Sunwater's estimate of the revenue required to continue to meet customer service standards and regulatory obligations under the current regulatory framework.

Revenue requirement

Table 10 brings together the price-path related expenditure building blocks. This includes a revenue offset building block as well as adjustments for the return of annuity positive balance funds (where applicable to a scheme), insurance review event funds and the QCA's review fee, which is applied only to irrigation entitlements.

Prices

As outlined above (and in detail in our pricing submission), Sunwater is proposing to shift to a RAB-based recovery of renewals expenditure. Prices under a RAB methodology are presented in the **Proposal in summary** section.

The following tables show recommended irrigation prices (by tariff group) for the price path period for both the RAB and annuity cost recovery methodologies. They also show the difference between the two to highlight the impact of the change on irrigators.

Proserpine River

Recommended prices for the Proserpine River tariff group are shown in **Table 11**.

Table 10 - Forecast revenue requirement (inclusive of revenue adjustments) (\$'000s)

Building block	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
Price path related expenditure						
Opex	\$1,766.8	\$1,807.8	\$1,846.6	\$1,883.5	\$7,304.7	80.2%
Renewals opex	\$60.0	\$199.4	\$520.9	\$269.4	\$1,049.8	11.5%
Capital returns	\$38.8	\$64.7	\$78.6	\$81.2	\$263.3	2.9%
Tax allowance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Sub-total	\$1,865.6	\$2,071.9	\$2,446.1	\$2,234.1	\$8,617.7	94.6%
Revenue adjustments						
Revenue offsets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Insurance review	\$95.0	\$97.8	\$100.5	\$103.0	\$396.2	4.3%
QCA fee ¹	\$23.2	\$23.9	\$24.6	\$25.2	\$96.9	1.1%
Sub-total	\$118.3	\$121.7	\$125.0	\$128.2	\$493.1	5.4%
Total	\$1,983.9	\$2,193.5	\$2,571.1	\$2,362.3	\$9,110.8	100.0%

Note 1: The QCA fee is apportioned to each scheme on the basis of irrigation entitlements.

Table 11 - Comparison of recommended prices – Proserpine River tariff group

Charge	Methodology	2025-26	2026-27	2027-28	2028-29
Part A (\$/ML)	Proposed (RAB)	\$18.12	\$19.40	\$19.94	\$20.49
	Annuity	\$18.12	\$20.49	\$21.05	\$21.64
	Difference	+\$0.00	-\$1.08	-\$1.11	-\$1.14
Part B (\$/ML)	Proposed (RAB)	\$3.81	\$4.85	\$4.98	\$5.12
	Annuity	\$3.81	\$4.67	\$4.98	\$5.12
	Difference	+\$0.00	+\$0.18	+\$0.00	+\$0.00

Appendix - Correspondence

PROSERPINE

[REDACTED]

18 August 2023

Attention: Sunwater Customer Feedback
Sunwater - Brisbane Head Office
Green Square North
Level 9, 515 St Pauls Terrace
Fortitude Valley, Queensland 4006
Sent to: [REDACTED]

To whom it may concern,

RE: 2025-2028 Sunwater Price Pathway (Proserpine River)

On behalf of our membership and Proserpine Sunwater Irrigation customers, we table our response to the current Proserpine River Water Supply Scheme Price Path Proposal. The proposal has impact on not only individual irrigators in our cane supply area, but also our two main irrigation schemes, namely the Kelsey Creek and Six Mile Creek Irrigator Cooperatives. Firstly, we are in support of the following:

1. Moving to a Regulated Asset Base (RAB) costing approach (i.e., for Renewals Recovery). This seems to marginally improve the overall cost to Proserpine users when compared to the Annuity approach.
2. Electricity Cost Pass-Through approach. Where trials showed that over-recoveries were generally higher than under-recoveries for the schemes that were trialled. However, it should be noted that Proserpine did not form part of the trial group and we seek assurance that efficient electricity usage by Sunwater is not compromised under a 'pass-through' system.
3. Updating the Sunwater Service and Performance Plan where the aim is to improve information made available to users.

We understand the reasons for application of the current proposed rates, including insurance cost increases (with under-recoveries) and inflationary pressures. However, we note the following:

- The Proserpine Price Pathway cost increases for Part A are 19.5% and 12.9% going from 2024-25 into 2025-26 and 2026-27 respectively. This seems excessive given the nature of our scheme (gravity fed) and where our neighbouring scheme (Pioneer) has only a 14.3% and 4.5% increase over the same respective period. It is also well above current inflation levels and will significantly increase longer-term costs of the Scheme.
- The Proserpine Price Pathway also increases Part B costs by 37.5% over the full five-year period (2024-25 to 2028-29). This is the third highest increase from the Central and North regions behind the Nogoia McKenzie and Haughton schemes. This is also well above 17.4% for Sunwater's overall Operating Expenditure budget as quoted in the 'Draft Future Price and Proposal' for Proserpine (page 13) for the same period.

On application of the proposed cost increases, we note that within the first two years of the new price path, Proserpine irrigator water costs will increase by an estimated 35% (based on typical usage and allocation levels). Currently, Proserpine growers are very concerned about the future affordability of irrigation water, especially when combined with the current increase in energy costs. Reduced use of irrigation will have significant long-term production effects on not only growers themselves, but also on the Mill and region at large.

With the aim to keep overall irrigation costs affordable for our growers, we request the initial two years of increases for the Proserpine River Water Supply Scheme be adjusted in line with a more reasonable increase of 15% and 5% for Part A, with an overall 25% increase in Part B for the five-years. This as reflected in the CANEGROWERS Proserpine new proposal below (Table 2).

Table 1: Current Proposed Proserpine River Water Supply Scheme Price Path (Sunwater)

\$/ML	24-25	25-26	26-27	27-28	28-29
Part A	15.16	18.12	20.45	21.01	21.59
Part B	3.71	3.81	4.69	4.96	5.10

Table 2: New Proposed Proserpine River Water Supply Scheme Price Path (CANEGROWERS)

\$/ML	24-25	25-26	26-27	27-28	28-29
Part A	15.16	17.43	18.30	18.80	19.32
Part B	3.71	3.81	4.26	4.51	4.64

We thank you for your consideration.

Yours faithfully

[Redacted Signature]

[Redacted Title]

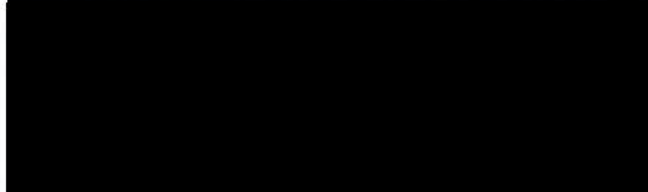
[Redacted] Proserpine District CANEGROWERS Cooperative Ltd

[Redacted Address Line]



Contact: Keelie O'Sullivan
Direct line: [REDACTED]

25 October 2023



Dear [REDACTED]

Thank you for your letter dated 18 August 2023 on behalf of Proserpine Canegrowers. We appreciate your general support of Sunwater's three proposals and feedback on the proposed prices for the price path period of 1 July 2025 to 30 June 2029. Noting our earlier email on 24 August 2023 acknowledging receipt of your feedback, please consider this letter as our formal response.

During our customer engagement process, which included face-to-face and online customer presentations supported by online information materials, we communicated the complications and inefficiencies inherent in working with the annuity methodology for renewals recovery with our customers. As per our earlier email response, I reiterate that the proposed regulated asset base (RAB) cost recovery methodology seeks to ensure that Sunwater is only recovering renewals expenditure once it has been incurred. This provides customers with confidence that Sunwater's renewals recovery is accurate and provides benefit to scheme customers who are paying for it.

With respect to the permanent electricity cost pass-through proposal (ECPT), this is not proposed for Proserpine River Water Supply Scheme. As you noted, Sunwater has been running an ECPT trial in six of seven schemes that incur high electricity costs. We specifically sought feedback from those seven schemes (through the GoVote platform) as to whether they would support moving to a permanent ECPT, on a scheme-by-scheme basis.

In relation to the third of our proposals, we agree that a refresh of Service and Performance Plans will allow more timely discussion with our customers regarding our most recent performance against QCA cost and service targets.

The Opex costs, as presented on page 19 of our Stage 2 presentation (available on the project webpage: <https://www.sunwater.com.au/projects/price-path/presentations/>) are almost 50% higher in the first year of the upcoming price path, compared to the estimated QCA allowance for 2024-2025. The billing system renewal (CASPR) and insurance recovery costs are material drivers of this increase to your Part A prices. Noting your comparison of proposed scheme-level costs with neighbouring schemes, our pricing approach is generally the same across all schemes (and is consistent across the schemes you highlight). However, each scheme is quite different in terms of their total entitlements held, nature of those entitlements and cost drivers. Costs differ as a result of the nature, condition and age of assets, condition and age, as well as the way they are operated.

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Table 1 below shows some of the different pricing and cost parameters that lead to quite different pricing outcomes in each of these schemes. Cost differences in categories like insurance and operations and maintenance differ due to the value of the assets insured and the nature of the assets in the scheme. Proserpine, for example does not have any electricity consuming assets. This not only produces a zero electricity allocation, but also impacts operations and maintenance effort. The biggest drivers of Part A charge differences are the total volume of entitlements in each scheme and the ratio of high to medium priority entitlements. Nogoia Mackenzie for example has considerably more entitlements across which to share costs.

Table 1 Scheme by scheme comparison ('000s) 2025-26

Figure 7 scheme summary	Proserpine River	Pioneer River	Nogoia Mackenzie e
Total entitlements	62,876	78,110	231,859
HUF	71%	62%	72%
AML (WAE ratio)	35%	39%	20%
Insurance	\$385.2	\$680.5	\$1,112.6
Electricity	\$0.0	\$11.5	\$27.1
O&M	\$575.4	\$504.2	\$1,477.1
Support costs	\$806.2	\$527.0	\$1,682.3
Opex Total	\$1,766.8	\$1,723.2	\$4,299.1

In relation to Part B prices, it is important to note that the starting point for prices are a factor in percentage change. For example, Proserpine River, Nogoia Mackenzie and Burdekin Haughton Part B prices are relatively low compared to other schemes.

We are conscious of our customers' priorities regarding price, affordability and value for money, and we are doing everything we can to manage the business responsibly, control costs, manage assets prudently and keep prices as low as possible. In developing our proposed prices, we are undertaking a robust prudence and efficiency review. We will provide further scheme-specific detail on costs and pricing at our customer meeting at the Metropole Hotel on Thursday, 26 October 2023.

The Queensland Government's policy sets irrigation water prices at lower bound. Lower bound pricing reflects only the prudent and efficient costs required to operate and maintain the assets in your scheme. Sunwater's draft pricing proposal seeks to only recover these lower bound costs.

Should Sunwater adopt the prices that you have proposed it would see Sunwater fail to recover the cost of operating and maintaining the Proserpine River Water Supply Scheme which would impact our ability to maintain the assets as required and meet our service standard obligations.

Thank you once again for taking the time to write to us.

Yours sincerely



Cameron Milliner

EGM Customer & Stakeholder Relations

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