

**1. Purpose**

The purpose of this document is to detail the ringfencing arrangements that are to be maintained to facilitate the separation of the functions of Sunwater’s Water Broker from Sunwater’s declared monopoly business activities associated with the supply and delivery of water.

**2. Scope**

The Procedure relates to the water trading and approvals functions of:

- Sunwater’s water broker, Ruralco
- Water trading lead (within Growth & Asset Creation team)
- Customer Interactions team
- Billing & Compliance team
- Commercial Customers & Analysis team.

**3. Objectives**

The objectives of the Sunwater’s water trading are:

- Commercial:
  - to trade Sunwater’s water allocations at a fair market price
  - to provide a reasonable return on the resources used in holding and trading water allocations
- Economic
  - to facilitate the development of a more efficient market
  - to provide water allocations to the wider community for efficient economic use.

**4. Organisational/Functional Structure**

Sunwater has engaged a water broker through a brokerage agreement. The Ruralco Water Brokerage Agreement is managed, on Sunwater’s side, by Growth & Asset Creation team.

The management of the water broker by the water trading lead separates the water trading functions from the water supply services provided by Sunwater, which report through the Executive General Manager Operations, the Executive General Manager of Customer and Stakeholder Relations, the General Manager Commercial Customers & Analysis and the Customer Accounts & Compliance Manager, and is consistent with ringfencing objectives.

**5. Information exchange**

The water trading lead within Growth & Asset Creation is the sole contact for the water broker with regard to setting prices and for trading strategy. Sunwater’s Customer Interactions Team, and on occasion the Commercial Customers & Analysis team, deal with the broker for the management of the transactions and reconciliation of trading revenue. All parties are responsible for ensuring that no confidential market-sensitive information is given to the water broker.

The Water Trading Ringfencing Guideline contains lists of confidential customer and market-sensitive information which cannot be given to the water broker. The water trading lead must be alert to this requirement at all times.

**6. Water Trading Governance Framework**

**6.1. Code of Conduct**

The water trading activities are governed by the Water Trading Code of Conduct, which is:

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- available on Sunwater’s website
- approved by the shareholding Ministers
- updated every two years as needed.

Sunwater and the water broker must comply with the Water Trading Code of Conduct. The water broker must also perform its roles and undertake its responsibilities in accordance with its Water Brokerage Agreement with Sunwater.

## 6.2. Compliance with the Water Act

Sunwater and the water broker must comply with the Water Act 2000, including all Interim and final Resource Operations Licence requirements for all schemes where they will trade water.

## 6.3. Water Trading Strategies

At the commencement of each water year, the water trading lead is required to develop the Annual Portfolio Trading Strategy for approval by the Board and the Scheme Trading Directions for the approval by the Chief Executive Officer. Further details on this process are contained in “Water Trading Processes” [eDocs 2509913].

## 6.4. Reporting

By request, the water trading lead prepares a report detailing trading activities for each scheme. The report outlines progress against approved water trading strategies. The report will be provided to the requestor.

## 6.5. Regular Audit

Water trading activities will be audited for compliance with the Code of Conduct every three years<sup>1</sup> by an independent third party. The report of the auditor will be made available to Sunwater’s Chief Executive, Board of Directors and the Ministers for the Queensland Competition Authority. It will also be made available on Sunwater’s website.

## 7. Dispute Resolution

All disputes regarding Sunwater’s compliance to its Code of Conduct will be conducted in accordance with the Water Trading Dispute Resolution Process.

## 8. Accounting Separation

All expense and income streams associated with water trading have a separate cost centre and budget. The costs and income generated from the water trading function will be incorporated into the monthly Board of Directors reports and quarterly reports for the shareholding Ministers.

Income generated by Sunwater’s water trading must be segmented by:

- Trading Product (temporary trade, permanent trade or lease)
- Water Supply Scheme
- Costs associated with water trading activities including:
  - Water allocation holding costs
  - Commission
  - Cost of sales

<sup>1</sup> Note: The Revised Code of Conduct (2019) has not been approved at the time of this document’s updating. If it is not approved, the water trading activities need to be audited annually, in accordance with the previous code of conduct.

## 9. Trading documentation

### 9.1. Standard Contracts

#### 9.1.1. Temporary Trading

Temporary trading contracts are to be in the form of the Water Broker's standard contract.

#### 9.1.2. Permanent Sales

For each permanent sale, the parties are to enter into the standard Sunwater Water Allocation Sale Contract. Any special conditions requested by the purchaser are to be considered on a case-by-case basis. Contracts are to be signed according to the Delegations Matrix.

Permanent trades must be approved by DRDMW in accordance with the Relevant Resource Operations Plan or Interim Resource Operating Licence.

The water broker will also be required to complete a Declaration of Interests (Refer section 9.2 below) when required.

#### 9.1.3. Term Allocation

Standard Sunwater Supply and Term Allocation contracts will be executed in accordance with the Delegations Matrix. Water allocation leases will be approved in accordance with the relevant Resource Operations Licence or Interim Resource Operations Plan published on the DRDMW website.

#### 9.1.4. Settlement Statement

The water broker is to provide a settlement statement to Sunwater on completion of each transaction. The settlement statement will contain at least the following information:

- the date of the trade
- a unique transaction ID number
- the order ID number
- quantity of water associated with the allocation
- a description of the water allocation – scheme, zone etc
- the price per ML and total
- the processing fee and GST
- the total amount of the transaction after all fees, GST etc
- the EFT processing number for funds transfer.

The settlement statement will be given to the Customer Accounts team within Sunwater.

## 9.2. Independence

The water broker is generally independent, but may have potential, real or perceived conflicts of interest for some water trades. In such situation, the Water Broker must complete a Declaration of Interests prior to the allocations being offered on its website. The Declaration is to be provided to the General Manager Growth & Asset Creation, who will determine if any further action is to be taken.

## 9.3. Billing

The billing of customers following each water trade will be the responsibility of Sunwater's Billing & Compliance team.

**9.4. Ringfencing of Declared Monopoly Activity Information**

Sunwater’s water broker will be physically and digitally removed from all information relating to Sunwater’s water delivery customers. The water broker will:

- **not** have system access to Sunwater’s server, email system, billing systems, asset systems, and SAP systems
- **not** have access to any file association with the provision of a monopoly activity
- **not** be permitted to discuss with any Sunwater personnel via the telephone or email any information relating to water supply activities other than that which is available from public sources. To facilitate this all the water broker’s emails will be kept.
- The water broker will be physically located remotely from all Sunwater offices.

**9.5. Disputes and Complaints**

Sunwater and the water broker must comply with the Dispute Resolution process and complaints handling procedures contained in “*Water Trading Dispute Resolution Processes*”.

**9.6. Public Reporting**

A copy of the audit report (excluding commercial information) will be available on Sunwater’s internet site. Any breaches of the Code identified in the report of the independent auditor will also be available on the site.

Aggregate trading information will also be reported in the Sunwater internet site and in Sunwater’s Annual Report.

**10. Approval and Review Details**

<b>Owner:</b>	GM Growth and Asset Creation	<b>Issue Date:</b>	July 2022	<b>Document No:</b>	2524264-v4
<b>SME:</b>	Manager Customer Experience	<b>Next Revision Date:</b>	June 2024	<b>Reference No:</b>	CORP PRO 22