

	<h2>Water Trading Roles and Responsibilities</h2>	<b>Standard No:</b> Author: Commercial Analyst Approved: Commercial Manager
---	---	---

<b>Status:</b> Guide	<b>Availability:</b> internet/ intranet	<b>Target Audience:</b> general public/ SunWater staff/ water trader
----------------------	---	--

### Purpose

The purpose of this document is to detail the role and responsibilities of the water trader.

### Position Description

The water trader is responsible for the trading of SunWater’s portfolio of water allocations. This includes:

- Recommending and implementing policies, business rules and governance arrangements;
- Conducting market analysis and research to underpin trading activities;
- Trading water allocations through public exchanges and other appropriate methods;
- Leading negotiations for the trading of water allocations;
- Compliance with SunWater’s Code of Conduct for water trading;
- Development and maintenance of trading contracts;
- Preparing and maintaining Water Trading business plans and budgets;
- Public reporting of trades as required;
- Developing and implementing trading strategies and pricing methodologies; and
- Reviewing and developing water trading products.

### Organisational/ Functional Structure

The water trader reports directly to the General Manager – Corporate. This separates the water trading functions from the water supply services provided by SunWater and is consistent with ring-fencing objectives.

### Objectives

The objectives of the Water Trader are:

- Commercial – to trade SunWater’s water allocations at a fair market price and one that provides for a reasonable rate of return on the resources using in holding and trading water allocations
- Economic – to facilitate the development of a more efficient market.

### Water Trading Governance Framework

The governance framework that has been established for the trading of water allocations operates within existing accountability structures. The Board is responsible for setting the Portfolio Strategy, which sets the whole of organisation

Revision No: January 2007	Water Trading Framework	Page 1 of 5
------------------------------	-------------------------	-------------

	<h2>Water Trading Roles and Responsibilities</h2>	<b>Standard No:</b> Author: Commercial Analyst Approved: Commercial Manager
---	---	---

<b>Status:</b> Guide	<b>Availability:</b> internet/ intranet	<b>Target Audience:</b> general public/ SunWater staff/ water trader
----------------------	---	--

strategy for the trading of water. The water trader will then be bound to operate in accordance with the Scheme Trading Strategy which is approved each year by the Chief Executive. Any approval by the SunWater Board or its delegate of an “off – market” sale that is not within the approved scheme trading strategy is accompanied by an approval to amend the relevant scheme trading strategy.

A Scheme Trading Strategy is developed for each of the schemes involved in the trading of water allocations, and is consistent with the Portfolio Strategy.

Each quarter the water trader is to prepare a report detailing trading activities for the previous three months for each scheme. This report outlines how the Scheme Trading Strategy is being achieved and is presented to the General Manager – Corporate for review.

Water Trading activities will be audited by an independent auditor each year and by SunWater’s Manager, Internal Audit at any time. The external audit report will be provided to Chief Executive, the Audit Committee and the Board before being provided to Treasury. The internal auditor’s report is distributed to the Chief Executive, the Audit Committee and the Board.

### Trading Volumes

The Scheme Trading Strategy sets the maximum volumes that can be traded in each scheme. The water trader is free to determine the volumes to be traded each water year subject to the maximum amounts. For example for a particular scheme SunWater may have a water allocation of 10,000 ML, with the following limits:

- Sale of water allocations up to 500 ML;
- Lease of water allocations up to:
  - ◊ 5,000 ML for periods not exceeding 2 years.
  - ◊ 1,000 ML for periods exceeding 2 years.
- Temporary transfers up to 6,000 ML;

While the sum of the parts above is greater than the 10,000 ML available, it will be the responsibility of the water trader to ensure that trades are made that do not exceed the total volume available for the water year.

In selected Scheme Trading Strategies additional volume limits may be set which restrict the volume that can be traded within each quarter. For example SunWater may have a water allocation of 10,000 ML in a scheme and limits may be set on the maximum volume that can be traded in each quarter, such that:

- Up to 40% in the first quarter;
- Up to 50% in the second quarter;
- Up to 50% in the third quarter; and

Revision No: January 2007	Water Trading Framework	Page 2 of 5
------------------------------	-------------------------	-------------

	<h2>Water Trading Roles and Responsibilities</h2>	<p><b>Standard No:</b>  Author: Commercial Analyst  Approved: Commercial Manager</p>
---	---	--

<b>Status:</b> Guide	<b>Availability:</b> internet/ intranet	<b>Target Audience:</b> general public/ SunWater staff/ water trader
----------------------	---	--

- Up to 50% in the fourth quarter.

In this hypothetical example the water trader could only trade up to 90% (9,900 ML) of available water allocations in the first half of the year, leaving 10% (100 ML) for the remainder of the year.

The water trader will be responsible for ensuring that the volume of water traded or otherwise committed does not exceed the volume of allocations available.

### Trading Frequency

The water trader is free to determine how often to go to market. Based upon the available market data, the water trader will be able to determine an optimal time and frequency to go to the market for the trading of water.

### Where to Trade

The trading of water allocations can occur on the water exchange (temporary transfers), through direct negotiations, via an auction or tender. The appropriateness of the location for trading is specific to each scheme and the market conditions at that time. Unless the Scheme Trading Strategy sets a preferred location for conducting trades, the water trader is free to determine where to trade so as to achieve an optimal outcome for SunWater. This decision will be made on the basis of market research.

### Market Research

The ability to achieve successful outcomes in the trading of water allocations is dependent on attaining full market information. The water trader will be expected to undertake market research and understand in detail the workings of individual markets in which SunWater trades.

The analysis to be conducted by the water trader will include:

- Historic information analysis;
- Forecasting of market supply and demand;
- Competitor analysis;
- Risk assessment;
- Determine the product mix;
- Determine a selling strategy; and
- Understanding the impact of economy or industry wide variables on the water market.

### Pricing

The prices that the water trader goes to market with and the trader's ability to negotiate prices are to be set by the water trader within the bounds of the:

Revision No: January 2007	Water Trading Framework	Page 3 of 5
------------------------------	-------------------------	-------------

	<h2>Water Trading Roles and Responsibilities</h2>	<p><b>Standard No:</b>  Author: Commercial Analyst  Approved: Commercial Manager</p>
---	---	--

<b>Status:</b> Guide	<b>Availability:</b> internet/ intranet	<b>Target Audience:</b> general public/ SunWater staff/ water trader
----------------------	---	--

- Portfolio and Scheme Trading Strategies; and
- Expectations of the supply and demand conditions in the market.

The Scheme Trading Strategy details the methodology to be adopted in determining prices and the extent of cost recovery and the level of revenues to be achieved.

Regardless of the methodologies adopted, the market conditions will determine whether the price can be achieved and whether it reflects an appropriate value. The water trader will be responsible for developing a detailed understanding of market conditions and the value of water allocations.

### Posting Prices and Volumes

The water trader will be required to publish a complete list of volumes available for trade, the timing with which they will be traded and the type of products (sale, lease etc) to be traded each year.

It is anticipated that Business Centres located across Queensland will receive enquiries from market participants to conduct water trades. Staff in Business Centres will be able to provide information to the customers on the basis of the Trader posted information. It is the responsibility of the water trader to develop a list of prices and volumes that can be traded by the business centres for specified periods. This list will then be distributed directly to the relevant business centre and updated as is necessary.

### Trade Sheets

For each water trading transaction that is not undertaken using the online Water Exchange, the water trader will complete a manual trade sheet. This trade sheet will record all relevant information on the trade including details of the original request, approvals obtained and confirmed transaction.

Where the transaction is undertaken using Water Exchange, standard confirmation documentation from the Exchange system will be obtained.

### Standard Contracts

The water trader will adhere to the Contracting Policy and the Delegation Matrix when entering into contracts for water allocation trading. Staff with delegations to sign contracts with customers are responsible for using approved standard contract. Contracts may only be varied following review by Corporate Counsel and the approval of the General Manager – Corporate.

For each contract to be entered into for the trading of water allocations, the water trader will need to complete and attach a Checklist. The Declaration provides for trading to be conducted in the absence of actual or perceived conflict of interest.

Revision No: January 2007	Water Trading Framework	Page 4 of 5
------------------------------	-------------------------	-------------

	<h2 style="text-align: center;">Water Trading Roles and Responsibilities</h2>	<p><b>Standard No:</b>  Author: Commercial Analyst  Approved: Commercial Manager</p>
---	---	--

<b>Status:</b> Guide	<b>Availability:</b> internet/ intranet	<b>Target Audience:</b> general public/ SunWater staff/ water trader
----------------------	---	--

### Billing

The billing of customers following each water trade will be the responsibility of WSS. To facilitate an effective billing system the water trader will be responsible for forwarding all necessary information to the Exchange Coordinator at the conclusion of each trade. The Exchange Coordinator in turn will be responsible for detailing the information required to undertake billing and the timeliness with which this information is to be supplied.

### Independence

At the commencement of each transaction that is not conducted on the Water Exchange, the water trader will be required to complete a Declaration of Interests. The water trader will notify the General Manager – Corporate of all potential or actual conflicts of interest in relation to a transaction. As part of the contracting process, the Checklist used by the water trader will include a section requiring acknowledgement of the completion of the declaration of independence.