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|  | <h1>Water Trading Ringfencing Arrangements</h1> | <p>Standard No: Author: Commercial Analyst Approved: Commercial Manager</p> |
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| Status: Guide | Availability: internet/ intranet | Target Audience: general public/ SunWater staff |
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1. Purpose

The purpose of this document is to detail the ringfencing arrangements that will be in place to facilitate the separation functions of the water trader operating within SunWater from SunWater’s declared monopoly business activities associated with the supply and delivery of water.

2. 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.

3. Organisational/ Functional Structure

The water trader reports directly to the General Manager – Corporate. The Water Trader must report quarterly to the General Manager, progress towards the targets contained in the Annual Plan.

The reporting of the Water Trader to the General Manager – Corporate, separates the water trading functions from the water supply services provided by SunWater and is consistent with ring-fencing objectives. SunWater’s Organisational/ Functional Structure including the Water Trader is shown in Attachment 1.

4. Information flow Chart

The Water Trader’s information flow chart is shown in Attachment 2.

Specific information will flow between the water trader and:

General Manager – Corporate

Chief Executive

Board of Directors

Internal Auditor

Business Managers


Exchange Coordinator

5. Water Trading Governance Framework

The Water trading activities are governed by a framework that has been established for the trading of water allocations operates within existing accountability structures.

The Water Trader must comply with the Water Trading Code of Conduct. The Water Trader must also perform their role and undertake their responsibilities in accordance

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with SunWater’s behavioural Code of Conduct and consistent with SunWater’s agreed values and behaviours.

5.1 Portfolio Strategy

The Board is responsible for setting the Portfolio Strategy, which sets the whole of organisation strategy for the trading of water. The water trader will then be bound to operate in accordance with the Portfolio Strategy which is approved each year by the Chief Executive.

5.2 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.

5.3 Compliance with the Water Act

The water trader must comply with all Interim and final Resource Operations Licence requirements for all schemes where they will trade water. These requirements must be incorporated into the Trading Annual Plan (see 5.4 below).

5.4 Trading Annual Plan

At the commencement of each year, the water trader is required to develop a Water Trading Annual Plan that is consistent with both the Portfolio and Scheme trading Strategies. This Annual Plan must be approved by the General Manager – Corporate. The water trader and the General Manager – Corporate will keep this Plan confidential within Corporate and securely filed. The Annual Plan will specify the Key Performance Indicators (KPI’s) of the water trader.


5.5 Quarterly reporting

Each quarter the water trader is to prepare a report detailing trading activities for the previous three months for each scheme including progress towards the KPI’s identified in the Annual Plan. The report outlines how the Scheme Trading Strategy is being achieved and is presented to the General Manager – Corporate for review. The quarterly report will be provided to the Board.

5.6 Annual Audit

Water Trading activities will be audited for compliance to the Code of Conduct annually 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.

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5.7 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.

6. Accounting Separation

All expense and income streams associated with water trading will 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 Shareholding Ministers reports.

Income generated by the Water trader segmented by:

- i) Trading Product (temporary trade, permanent trade or lease)
- ii) Scheme

Costs associated with water trading activities including:

- i) Water allocation holding costs
- ii) Commission
- iii) Cost of sales

7. Trading documentation

7.1 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 water trader will also be required to complete a Declaration of Interests (see 7 below) at the commencement or each trade.


7.2 Temporary Trades

The Water Trader and Business Offices will use existing temporary transfer application forms and approve trades in accordance with the published temporary trade criteria for the relevant scheme. The Water trading signing sheet will be completed by the party undertaking the transaction.

7.3 Permanent Trades

Permanent trades will be approved by the Department of Natural Resources in accordance with the Relevant Resource Operations Plan or Interim Resource

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Operating Licence. Standard “model” contracts will be used for the trade of water and signed according to the Delegations Matrix. Associated supply contracts will be processed according to the Contracting Policy and Delegations Matrix. Where the Water Trader is authorised to undertake permanent trades the water trading signing sheet will be completed prior to signing of the contracts.

7.4 Term allocation

Standard Supply and Term Allocation contracts will be executed in accordance with the Contracting Policy and delegations Matrix. Leases will be approved in accordance with the relevant Resource Operations Licence or Interim Resource Operations Plan published on the Department of Natural Resources website. Where the water trader is authorised to undertake leases the trading signing sheet will be completed by the prior to signing of the contracts.

7.5 Trading Sheets

The Water Trader will complete the Water Trading Sheet for each transaction. The Trading Sheet will contain all relevant information concerning the transaction.

8. Independence

The Water Trader will be required to be independent and free of any conflict of interest. The Water Trader will complete a Declaration of Interests for each transaction not conducted on the Water Exchange. The Water Trader, through the Declaration will notify the General Manager – Corporate of all potential or actual conflicts of interest in relation to a transaction. The Declaration provides for trading to be conducted in the absence of actual or perceived conflict of interest.

9. Billing

The billing of customers following each water trade will be the responsibility of Water Supply Services. 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 to the Water Trader the information required to undertake billing and the timeliness with which this information is to be supplied.

10. Ringfencing of Declared Monopoly Activity Information

The SunWater Water Trader will be physically and logically removed from all information relating to SunWater’s water delivery customers. The Water Trader will:

- NOT have system access to SunWater’s server, email system, SWIMS and SAP systems.

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- 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 Trader's emails will be kept.
- The Water Trader will be physically located remotely from all SunWater personnel associated with the provision of water supply services.

11. Disputes and Complaints

The Water Trader must comply with the Dispute Resolution process and complaints handling procedures.

12. Ringfencing Training

A training programme will be undertaken to ensure that all current and new SunWater staff, including contractors, understand ringfencing and their responsibilities and obligations with respect to ringfencing of water trading activities. The depth and frequency of this training will vary depending upon the functions and responsibilities of the staff. Ringfencing guidelines will be published on SunWater's website.

13. Public Reporting

A copy of the Annual 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.