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Irrigation Price Path

1 July 2025 to 30 June 2029

Burdekin Haughton Water Supply Scheme

11 July 2023

First Nations Commitment Statement

Sunwater acknowledges Aboriginal and Torres Strait Islander peoples as the first peoples of this country and Traditional Owners and Custodians of the land and water we rely on. We respect and value their continued sacred connection to Country, including the diverse, rich traditions, languages and customs that are the longest living in the world. We acknowledge their resilience in the face of significant and ongoing historical, cultural and political change within Australia. We recognise and value the importance of truth-telling today, and our role to listen and learn. Our vision for reconciliation is that we are a nation of unity and fairness for all; a nation that owns its history and acknowledges its First Nations peoples, their strength and their living culture.

Our goal is to work together to realise mutual benefits with First Nations peoples through authentic relationships and respect for cultural value; fostering a sense of belonging and pride in our people, community, customers and stakeholders. We can learn so much from Traditional Custodians who have cared for Country for thousands of years in the way we sustainably manage water and land. Going beyond compliance and embedding reconciliation into core business practices and decision making brings to life our purpose of Delivering Water for Prosperity through Valuing People, Working Together and Taking Responsibility.

This commitment has been endorsed by our Board and Executive Leadership team and reflects what our people, communities, and Shareholders expect of us. Aligned with our Code of Conduct, which describes how we work together no matter our role or where we are located, this commitment statement will be enabled through an Aboriginal and Torres Strait Islander recognition, engagement and participation strategy.

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Introduction

The proposal we are presenting is an early estimate of what we expect to include in our proposal on 30 November 2023

FIRST LOOK AT DRAFT FUTURE PRICES

Sunwater's Draft Pricing Proposal
(2025-26 to 2028-29)

Context / background	*All schemes*
Draft costs and prices	*Your scheme*
Some change proposals for customer feedback	*Your scheme*

Please feel free to ask questions during or after the presentation.

A copy of the Draft Pricing Proposal for your scheme is available today and via our website.

You can also get in touch at pricepath@sunwater.com.au

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Our draft cost and pricing proposal is reflective of a challenging operating environment and a desire for meaningful engagement with customers as we develop prices for the next period

CONTEXT / BACKGROUND

A challenging operating environment

Key themes impacting our operating environment over the past few years and our cost forecasts for the coming price period, include:

- global events such as COVID19 and the war in Ukraine have had implications for both inflation and availability of goods and services (including labour)
- natural disasters – both here and overseas – have continued to place upward pressure on insurance premiums
- national and international factors have contributed to higher energy prices
- rising interest rates have increased the cost of debt
- an aging workforce – particularly in regional areas – meaning we need to invest in resilience and business continuity
- Aging assets requiring continued monitoring and maintenance
- Increased regulation

A strong customer voice

We have been engaging with customers (via Stage 1 engagement program) and peak body representative groups (via a Consultative Committee) to identify any issues we need to consider as part of our proposal, and to ensure our customers are aware of, and able to participate in, the irrigation price path review process.

The Consultative Committee has also helped to shape three proposals on which we are seeking specific feedback from customers:

- renewals cost recovery – our first proposal relates to the methodology we apply to the recovery of renewals expenditure
- electricity cost recovery – in our seven schemes with large electricity consuming pump stations, we also have a proposal for a permanent and symmetrical electricity cost pass-through mechanism
- 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.

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Our proposal is also reflective of a desire to continue to deliver against the things our customers tell us matter most to them and their business

CUSTOMER PRIORITIES

Our ongoing engagement in each of our price-regulated schemes highlights the importance of:

1. Price, affordability and value for money
2. Trust that Sunwater is managing the business responsibly, controlling costs, managing assets prudently and keeping prices as low as possible
3. Water security and availability
4. Service reliability and minimal interruptions
5. Water quality and fit for purpose services
6. Sustainability for the future
7. Personal customer service – not automated, not computerised, but actual people to talk to when customers need something.

We want your feedback on this draft proposal before we finalise and submit on 30 November

WHAT NEXT?

Capture feedback and refine

Between now and 30 November, when we submit our proposal to the QCA, Sunwater will be:

- capturing customer feedback on our first look at draft future prices and proposals for change
- conducting a review of the prudency and efficiency of our draft cost forecasts
- updating the base year (2022-23) values to reflect the June 2023 actuals
- updating inflation and cost of debt metrics (relevant to weighted average cost of capital and annuity contribution).

Feedback

- Your feedback will be critical to our decision making when it comes to the renewals and electricity cost recovery.
- Please take some time to read and understand our proposals (reach out to us if you need further information) and tell us what you think.

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Developing draft prices

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Inflation has been significantly higher than the QCA expected in 2020 when it set our current cost allowances and prices

CHALLENGING OPERATING ENVIRONMENT - INFLATION

	FY2021	FY2022	FY2023	FY2024	FY2025
QCA inflation assumption (%)		4.39%	2.20%	2.15%	2.24%
Total QCA allowance	$61,736	$64,448	$65,865	$67,280	$68,787
*Comparison with **actual** inflation (net of 0.2% efficiency factor)*					
All groups - Australia	*(March values)*	4.89%	6.82%		
		$64,754	$68,844		
All groups - Brisbane	*(March values)*	5.81%	7.22%		
		$65,321	$69,102		
		Difference	*$2,979 - $3,237*		

- Final opex allowances set by the QCA in January 2020 included inflation assumptions.
- Actual inflation in the past two years has been significantly higher – using either an Australia-wide or Brisbane index.

Accounting for the impacts of actual inflation since FY2021 the QCA's FY2023 allowance would be $2.9m to $3.2m higher

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Labour is Sunwater's biggest cost category and is impacted by both the cost of labour and the need to meet new and emerging risks and obligations

CHALLENGING OPERATING ENVIRONMENT - LABOUR

Price

- Tight labour market – impacted by COVID border closures
- Wage price index (March to March) has been steadily rising over the past three years (1.4% March 2021 to 3.7% March 2023)
- Wage increases - current EBA (yet to be signed has 4.5% increase for 2022-23 and 2023-24 financial years)

Quantity

- Sunwater manages our organisation to ensure the right people are in the right place, at the right time. This allows us to continue delivering services that customers need
- Our changing workforce
  - approximately 18% of the workforce will retire within the next five to ten years (56+ years)
  - employees reaching retirement age will predominantly impact Operations (25% of division)
  - entry level positions have been recruited within Operations to support the life-cycle of personnel in this area
- Compliance with ever increasing expectations / obligations
  - ever evolving cyber-security threats
  - procurement and supply chain obligations (e.g. relating to modern slavery)
  - dam safety
  - climate change, extreme weather and business resilience

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Sunwater is doing all it can to keep insurance costs down, but external factors mean costs have been, and continue to be high

CHALLENGING OPERATING ENVIRONMENT - INSURANCE

Insurance cost headwinds

- Insurance premiums have no direct correlation to CPI
- Insurers base their required premium returns on:
  - their own exposure 'book' / profitability e.g. insurers seeking to 'claw back' losses from large natural catastrophes
  - the risk profile of an insured e.g. are they a business that understands and manages risk?
- Sunwater has a strong insurance renewal program based on regular on-going engagement and a strong relationship with its insurers – the better they understand our business, the lower the risk premium they apply.
- Upward pressure on insurance costs will be reflected in a "base year" (IPP25) insurance value that is $1.5m higher than the QCA's previous allowance for the same year.
- Sunwater has included strong price escalation for two years, reverting to expectation by the end of the forecast period.

Addressing an under-recovery in the current period

Year	Declared Asset Value ($b)	Total Insurance Cost for ($m)	Insurance Cost for RSC ($m)	QCA 2019 ($m)	Under-recovery by year
FY21 (actual)	13.1	13.2	9.2	7.6	1.6
FY22 (actual)	11.8	13.2	8.3	7.6	0.6
FY23 (actual)	12.6	14.4	9.2	7.7	1.5
FY24 (forecast)	14.3	16.6	9.1	7.4	1.8
FY25 (forecast)	14.3	17.9	9.8	7.4	2.4
		75.3	**45.6**	**37.7**	**7.9**

- The QCA recognised the cost risk associated with insurance in its Final Report.
- Report included option for Sunwater to explore an end of period revenue adjustment.
- We have under-recovered over the past three years and we expect under-recovery to continue in FY24 and FY25.
- We intend to seek to utilise the end-of-period revenue adjustment mechanism and have **included** an allowance for this in the costs and prices presented here.

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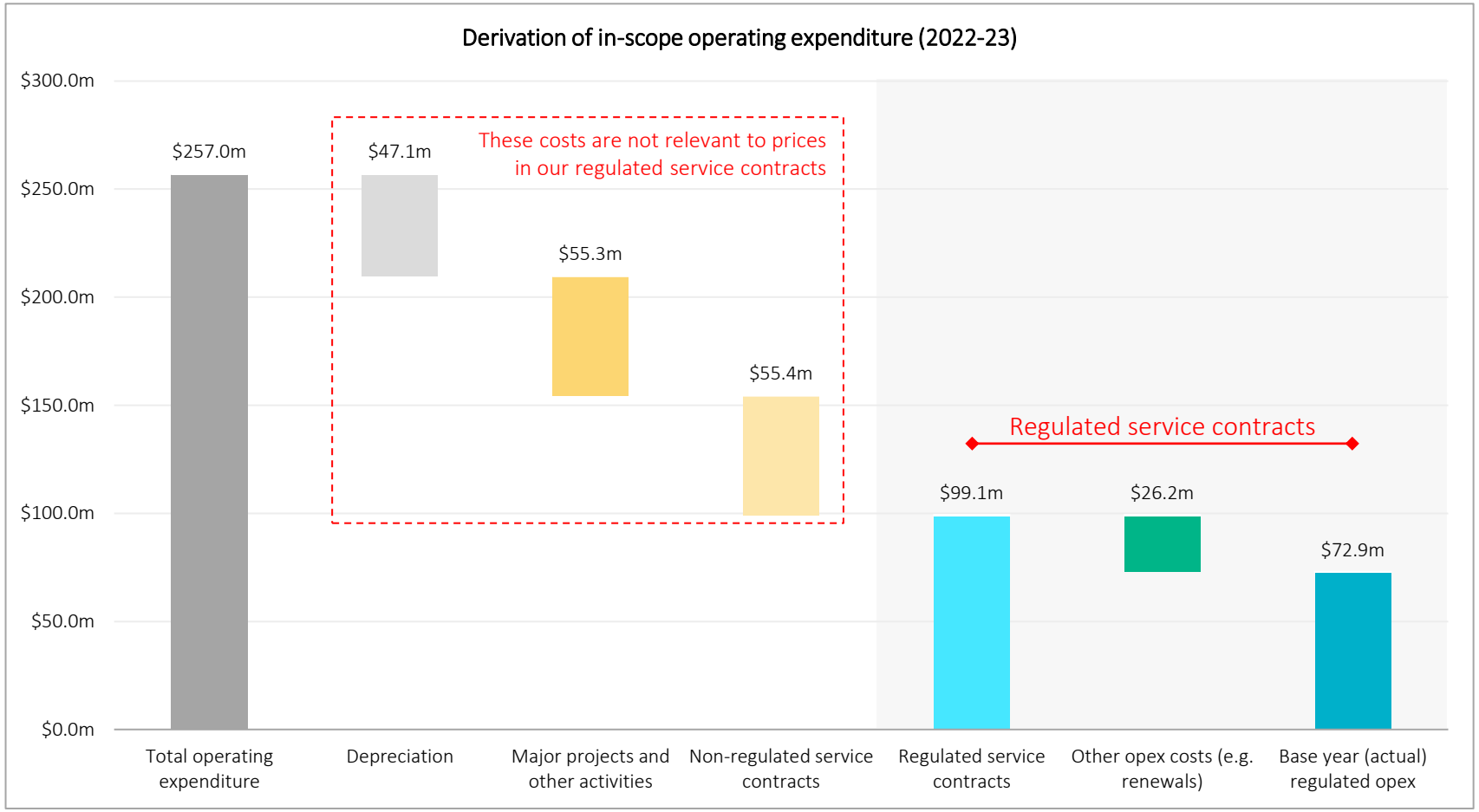
Sunwater allocates its operating (and capital) costs across its portfolio of price-regulated and unregulated schemes, and major projects

IN-SCOPE COSTS

Draft costs

Operating expenditure

Renewals expenditure



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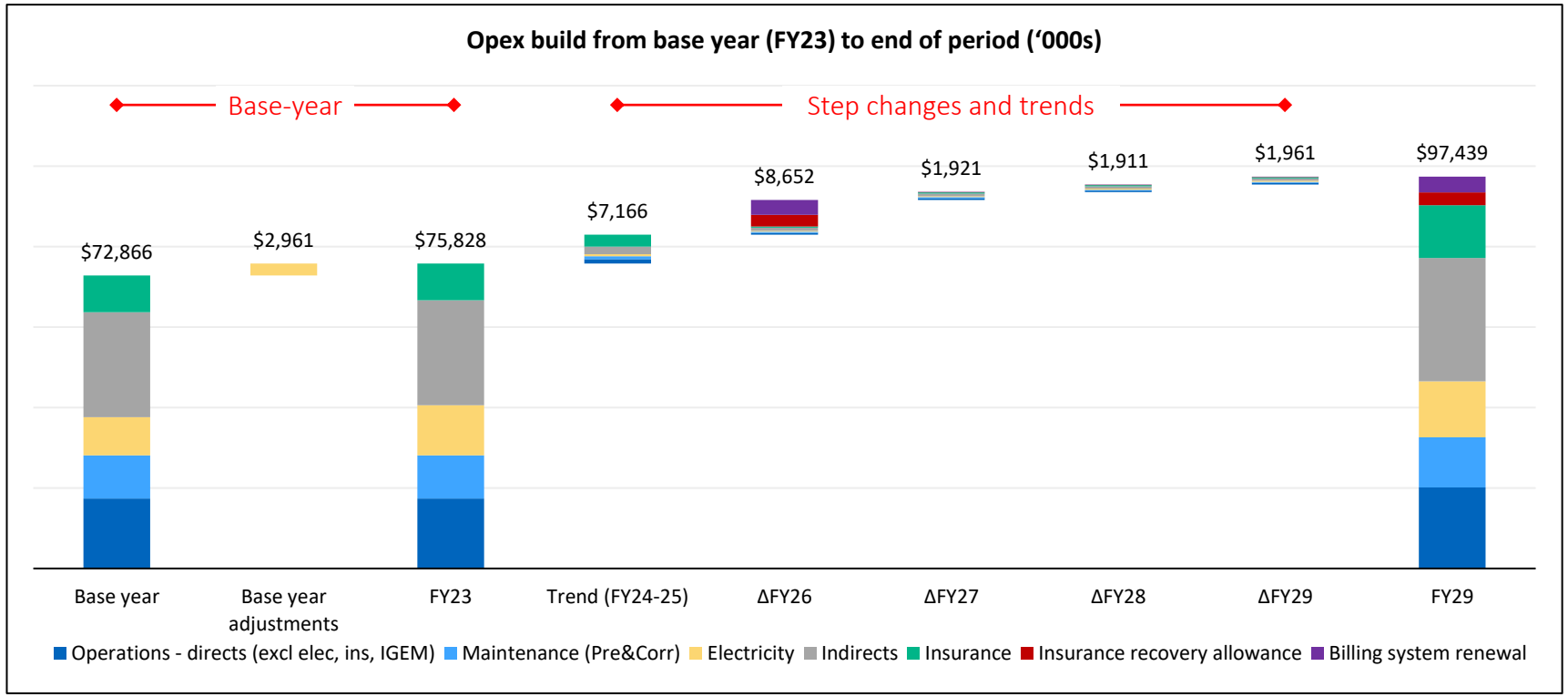
We have developed opex forecasts for 2025-26 to 2028-29 using QCA's preferred base-step-trend methodology

BASE-STEP-TREND FORECAST

Operating expenditure

- Set around a base year of 2022-23 (actuals plus forecast)
- Some adjustments to reflect costs that are "unusual" in 2022-23 (for example, pumping costs for electricity are historically low due to the relative wet year)
- Cost escalation (inflation) assumptions
- Expected "step changes" in cost over the pricing period
- A recovery allowance for insurance, reflecting the under-recovery of insurance during the current period



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Our indirects category includes business critical functions such as local management, billing and compliance, information technology, human resources and finance

INDIRECTS REFLECT ESSENTIAL BUSINESS FUNCTIONS

Essential business functions

The “indirects” category is used for cost allocation purposes and represents a number of essential business functions.

It is predominantly labour but includes plant and equipment, such as ICT infrastructure and head office leases.

- **Procurement** – critical in ensuring Sunwater procures goods and services required to provide irrigation services at the most efficient price, and that the water industry market is kept fair and competitive in nature
- **Human resources** – critical in ensuring Sunwater staff are trained, qualified, skillful and capable of providing quality, value for money irrigation services to customers, compliant with work health safety legislation and regulation
- **ICT** – critical in ensuring the Sunwater business is digitally capable, efficient and effective; secures commercial and customer data, and assets against cyber threats and attacks; necessary to meet legislated and Government policy-driven cyber security requirements
- **Finance** – critical to monitoring and managing business finance to ensure optimal financial outcomes for Sunwater and customers; necessary to meet corporate and business management legislation and regulation
- **Pricing and regulation** – drives robust review and challenge to business planning, ensuring compliance with economic regulation and that all expenditure is prudent and efficient; allows independent regulatory oversight and review of expenditure, revenue and prices to ensure fair outcomes for customers in a monopoly market
- **Customer contact, engagement and stakeholder management** – ensures good customer service for all irrigation customers, and a voice in business planning and regulatory processes that impact customer services

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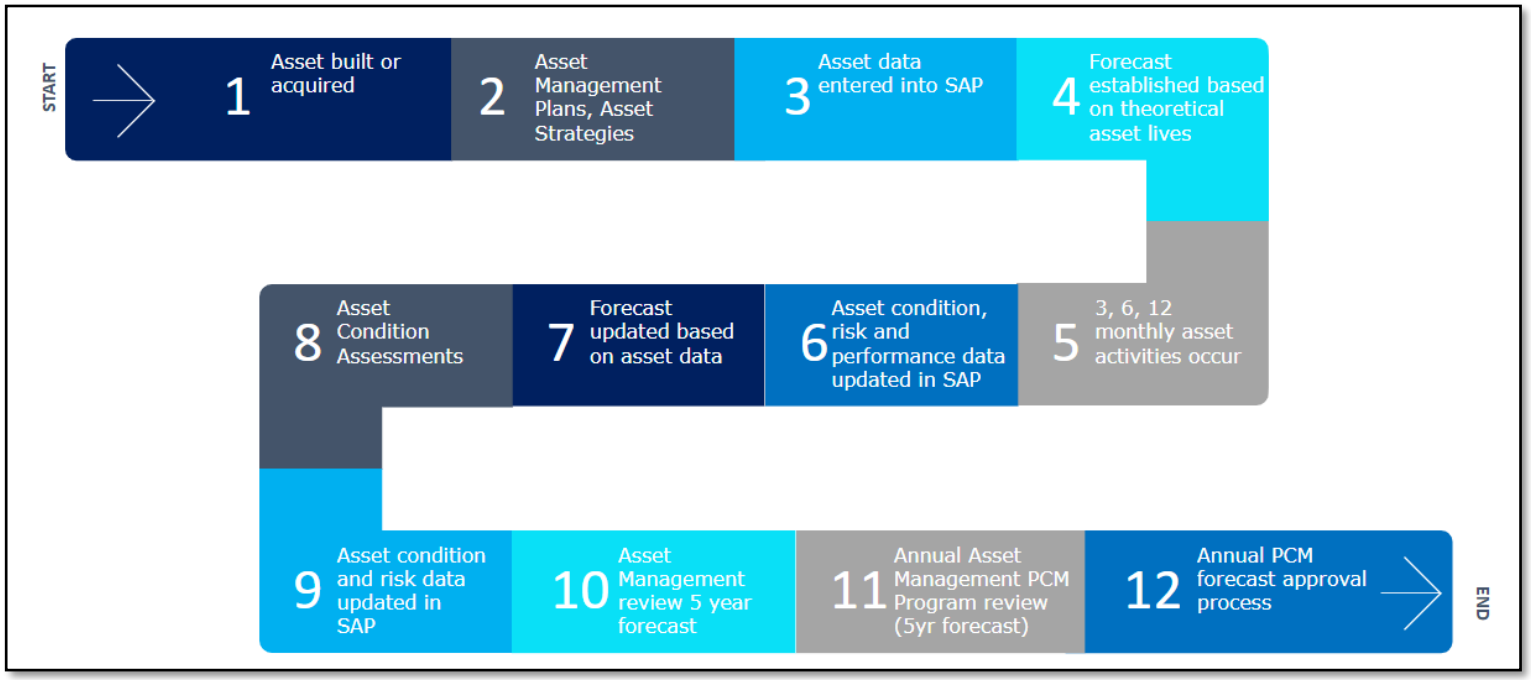
We have also developed renewals expenditure forecasts for 2025-26 to 2057-58 to support the calculation of a renewals annuity contribution for the pricing period

DEVELOPING A RENEWALS EXPENDITURE FORECAST



- Sunwater has a comprehensive suite of asset management plans and strategies which define and standardise our approach to the management of our assets
- The identification of planned corrective maintenance activities is initially driven by a combination of the asset age, condition and risk
- Other drivers exist that may generate works including:
  - reports identifying assets or systems below the desired target
  - Service and Asset Initiatives may arise from the Corporate plan, Statement of Corporate Intent or other sources
  - Compliance based projects may be required to meet changes in standards
- This process provides Sunwater with the assurance it needs to prepare a 5-year renewals plan that underpins corporate planning and price review processes

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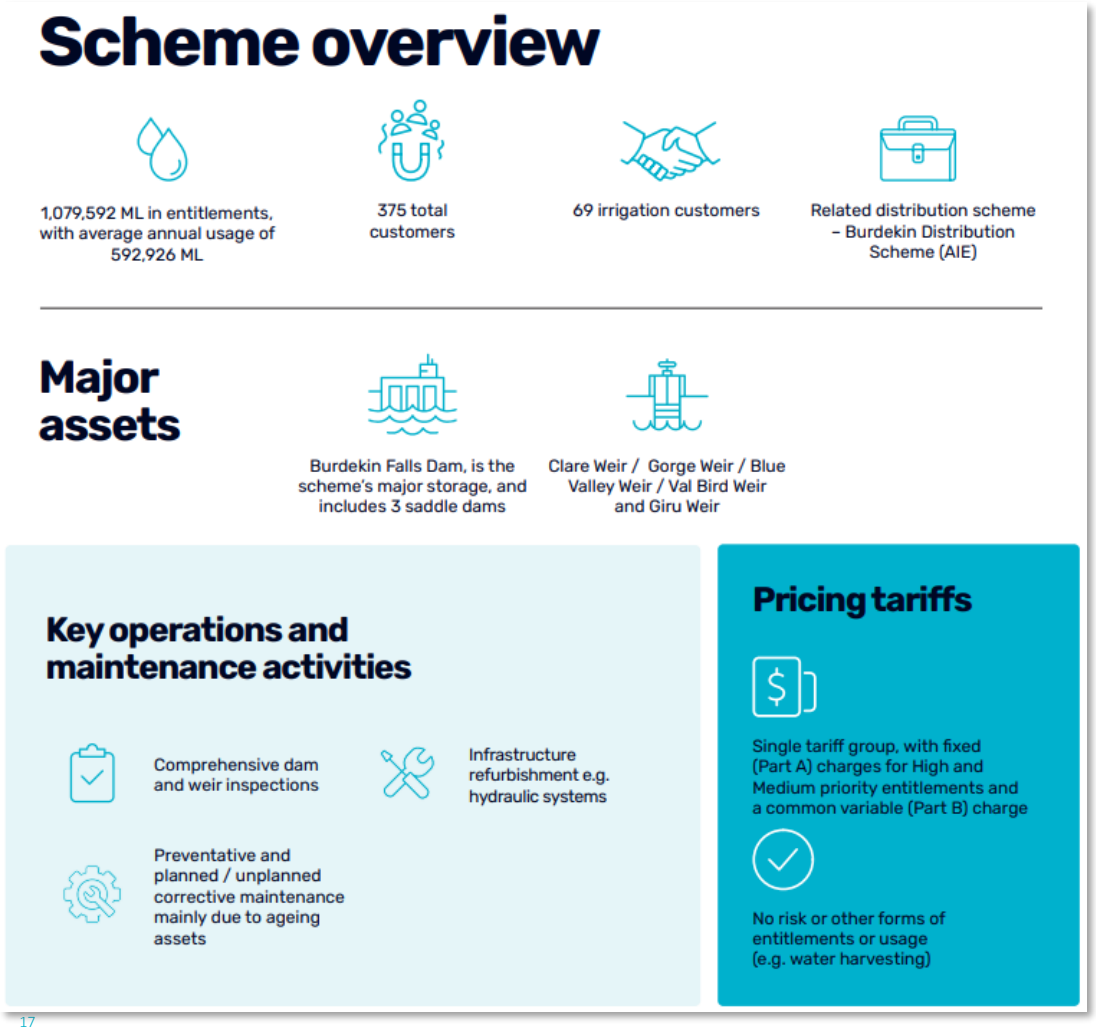
Scheme Level Summary

Costs and prices are a function of the major assets, key operations and maintenance activities and total entitlements within the scheme

SCHEME OVERVIEW – BULK



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Costs and prices are a function of the major assets, key operations and maintenance activities and total entitlements within the scheme

SCHEME OVERVIEW – DISTRIBUTION

Scheme overview

331,590 ML in entitlements, with average annual usage of 215,598 ML

243 irrigation customers

Major assets

Pump stations on Burdekin River - Tom Fenwick / Val Bird Weir / Giru Weir Clare A / Clare B / Clare B8 relift / Dalbeg A / Dalbeg B / Dalbeg relift / Elliot / Millaroo A / Millaroo B / Millaroo relift

Key operations and maintenance activities

Electricity - (participating in the electricity cost pass-through trial)

Concrete channel lining refurbishments

Pump station equipment and pump refurbishments

Pricing tariffs

Three tariff groups - Burdekin channel, Giru Groundwater & Glady's Lagoon (other than from natural yeild), with fixed Part A & C charges and volumetric Part B & D charges.

Channel harvesting, same as volumetric Part D (from fees and charges schedule)

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Our customer service standards also drive the work we do and influence our operations and maintenance costs

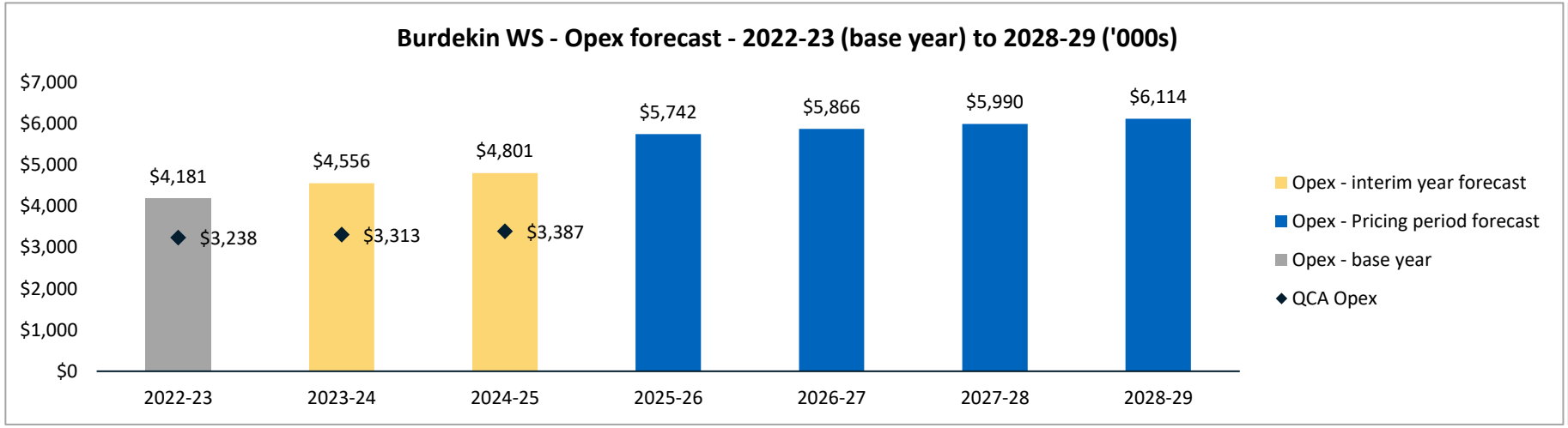
CURRENT SERVICE STANDARDS

Burdekin Haughton	Service Targets	Target
Planned shutdowns – notification	For shutdowns planned to exceed 2 weeks	8 weeks
	For shutdowns planned to exceed 3 days	2 weeks
	For shutdowns planned to be less than 3 days	5 days
Unplanned shutdowns – duration	During Peak Demand Period	48 hours
	Outside Peak Demand Period	5 working days
Unplanned shutdowns – notification	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
Maximum number of interruptions	Planned or unplanned interruptions per water year	10 working days
Meter repairs	Faults causing restrictions to supply will be repaired	2 working days
Complaints and enquiries	Initial response (Acknowledge)	5 working days
	Resolve or provide written response	21 days

Burdekin Haughton WS

Scheme level operating expenditure forecasts have been developed for the 2025-26 to 2028-29 period using the base-step-trend methodology

OPERATING EXPENDITURE FORECAST



- Scheme operating costs are growing at an average annual rate (inclusive of inflation) of **6.5%** from 2022-23 (opex base year value) to 2028-29.
- Values shown in 2025-26 include step change allowances for the renewal of Sunwater's billing system and an insurance recovery allowance.
- QCA values shown represent the level of opex that is included in current period (2020-21 to 2024-25) prices.

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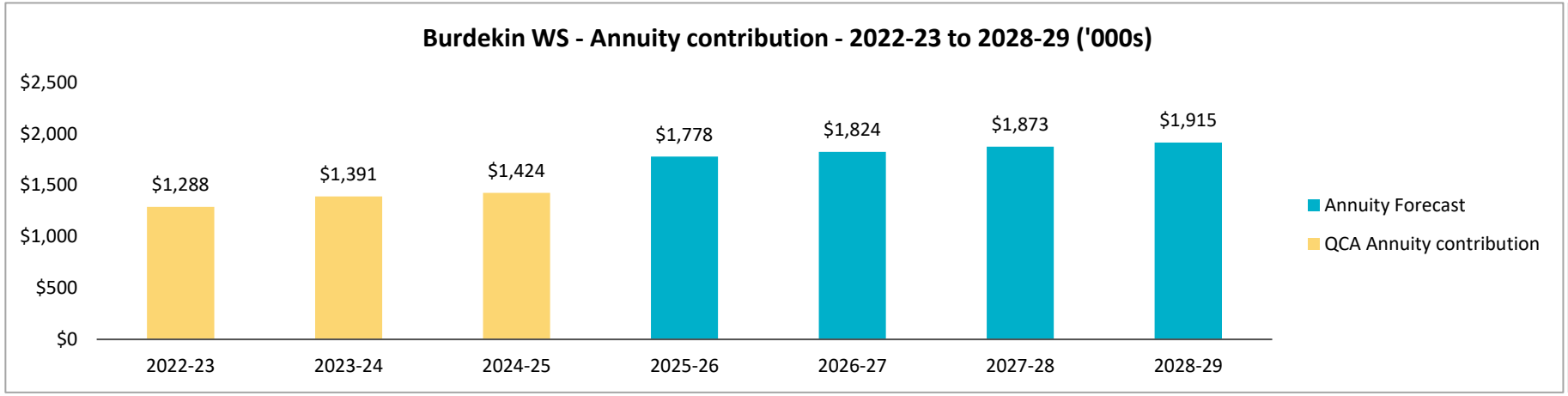
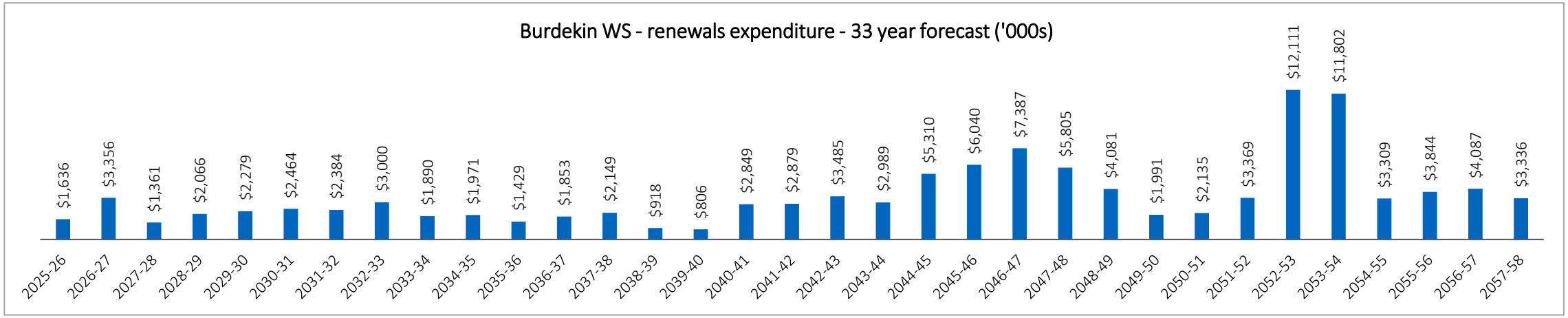
Scheme level renewals expenditure forecasts (33 years) have been developed to underpin a renewals contribution forecast for the 2025-26 to 2028-29 period

RENEWALS EXPENDITURE FORECAST & ANNUITY CONTRIBUTION



- The scheme annuity contribution is growing at an average annual rate (inclusive of inflation) of **6.8%** from 2022-23 to 2028-29.
- Annuity forecast values shown are based on a roll-forward of actual expenditure in the current period (2020-21 to 2024-25), an updated WACC forecast and a revised long-term expenditure forecast.



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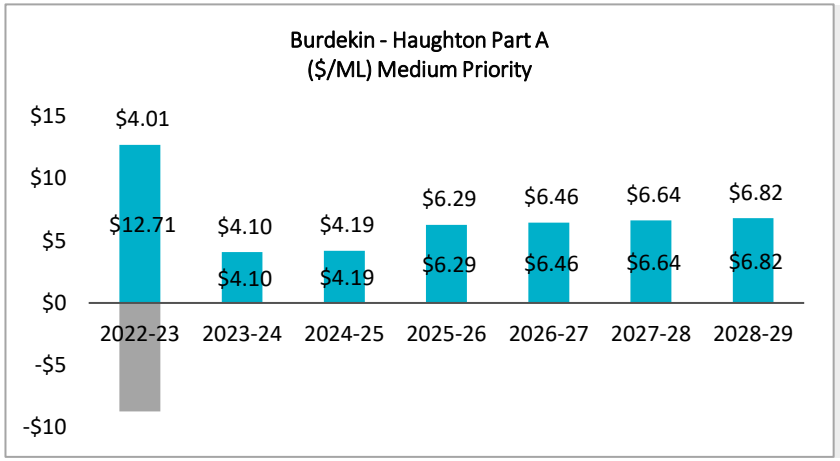
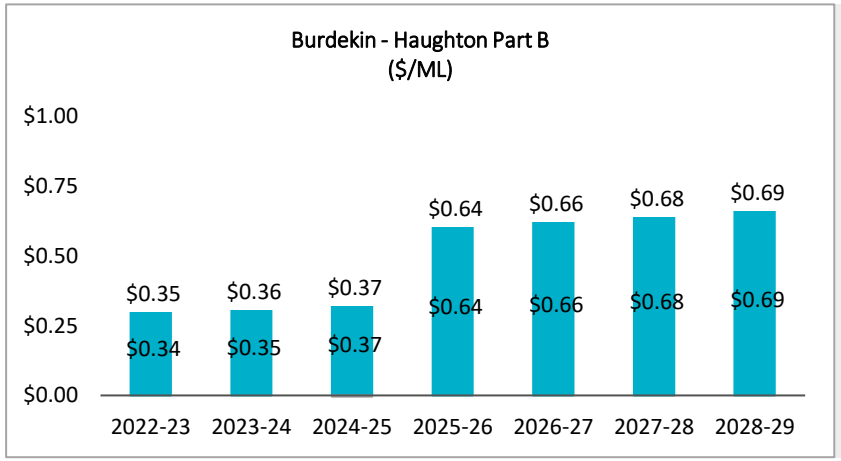
Draft prices show both lower bound cost reflective prices and recommended prices which apply the Government's maximum annual price change rule

DRAFT FORECAST PRICES

Prices shown do NOT include the 15% discount currently applied to irrigation prices consistent with the terms of the referral notice



- Part A-MP prices are forecast to decrease at an average annual rate (inclusive of inflation) of **9.9%** from 2022-23 to 2028-29.



- Part B prices are forecast to grow at an average annual rate (inclusive of inflation) of **12.5%** from 2022-23 to 2028-29.

Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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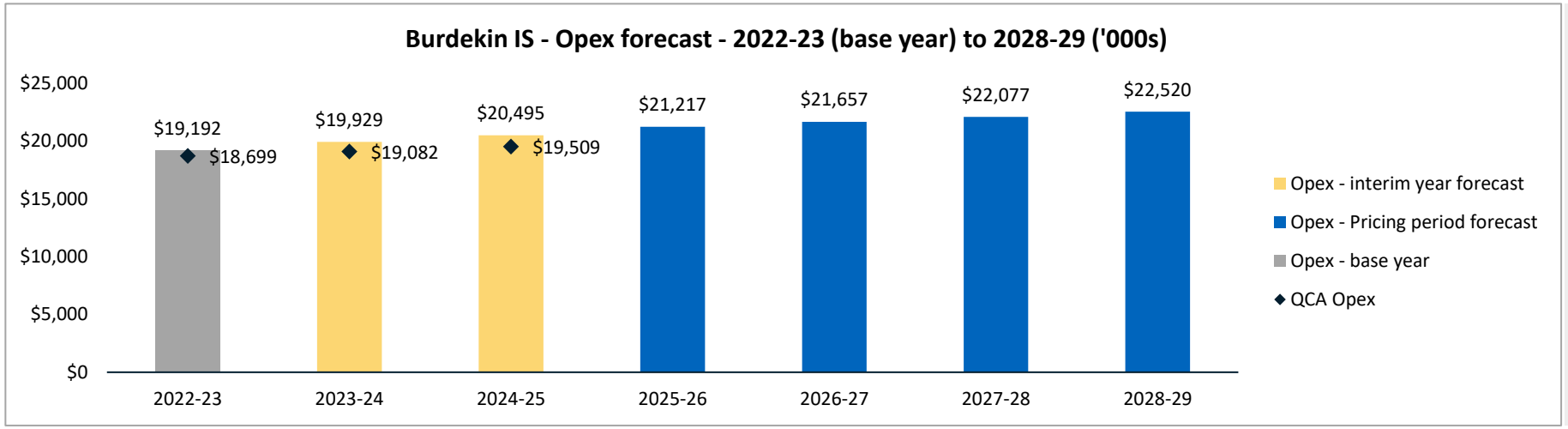
Burdekin IS

Scheme level operating expenditure forecasts have been developed for the 2025-26 to 2028-29 period using the base-step-trend methodology

OPERATING EXPENDITURE FORECAST



- Scheme operating costs are growing at an average annual rate (inclusive of inflation) of **2.7%** from 2022-23 (opex base year value) to 2028-29.
- Values shown in 2025-26 include step change allowances for the renewal of Sunwater's billing system and an insurance recovery allowance.
- QCA values shown represent the level of opex that is included in current period (2020-21 to 2024-25) prices.

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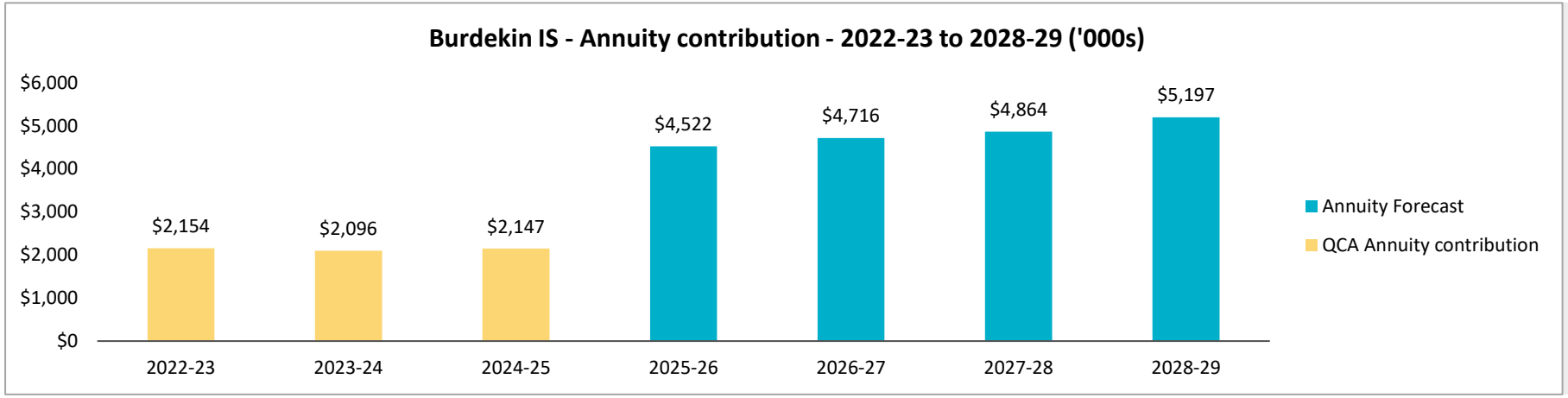
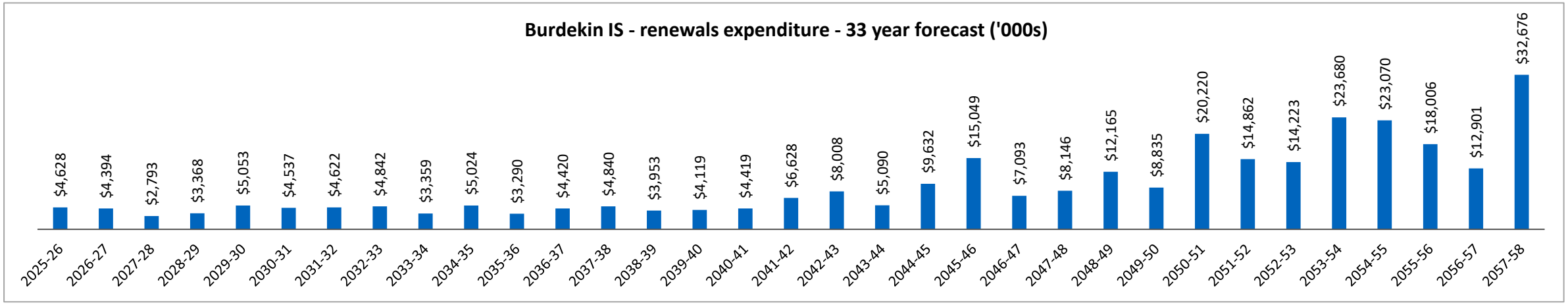
Scheme level renewals expenditure forecasts (33 years) have been developed to underpin a renewals contribution forecast for the 2025-26 to 2028-29 period

RENEWALS EXPENDITURE FORECAST & ANNUITY CONTRIBUTION



- The scheme annuity contribution is growing at an average annual rate (inclusive of inflation) of **15.8%** from 2022-23 to 2028-29.
- Annuity forecast values shown are based on a roll-forward of actual expenditure in the current period (2020-21 to 2024-25), an updated WACC forecast and a revised long-term expenditure forecast.



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Draft prices show both lower bound cost reflective prices and recommended prices which apply the Government's maximum annual price change rule

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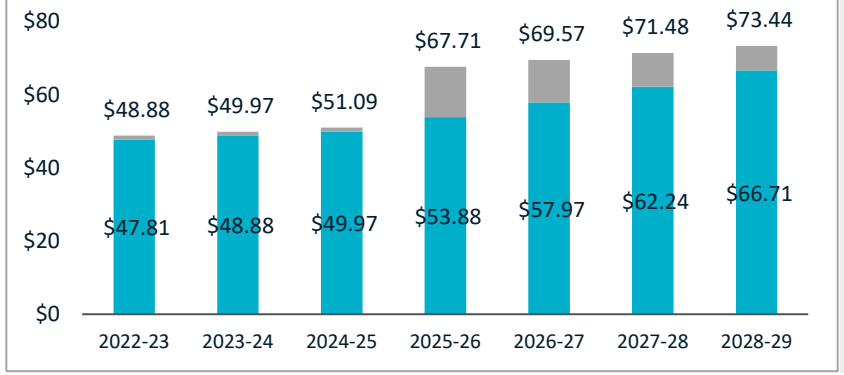
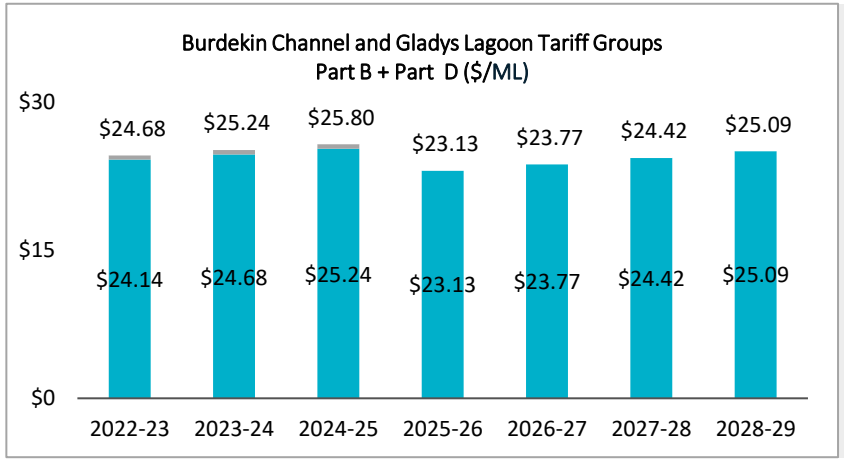
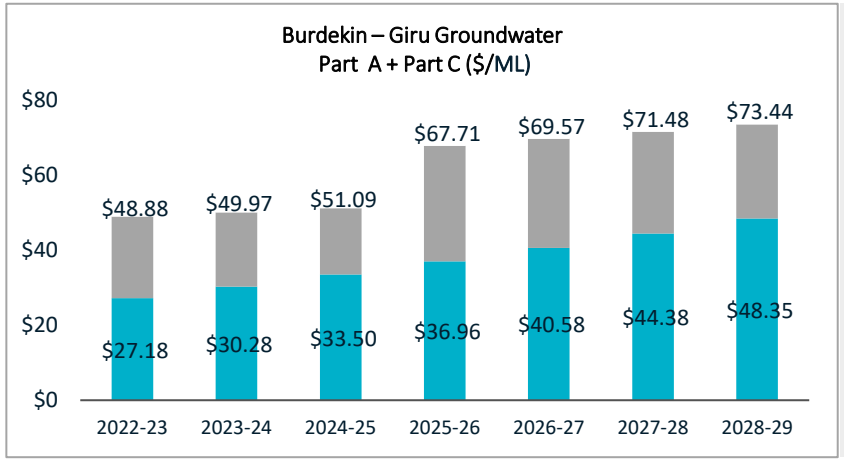


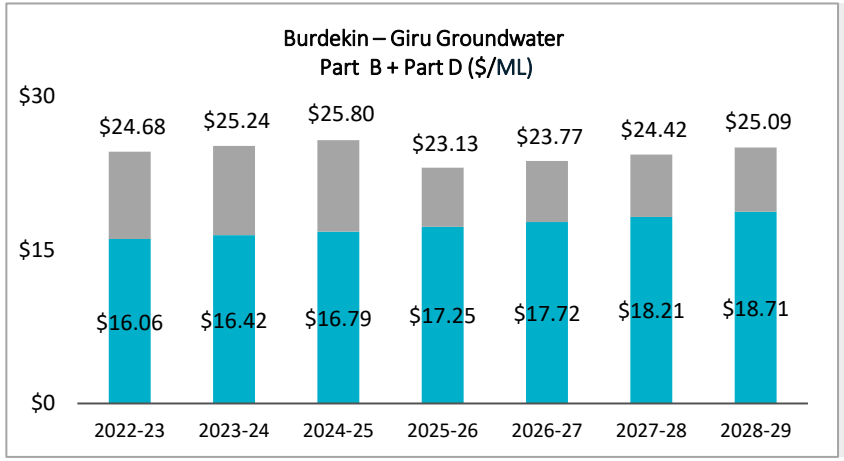
- Part A+C prices are forecast to grow at an average annual rate (inclusive of inflation) of **5.7%** from 2022-23 to 2028-29.



- Part B+D prices are forecast to grow at an average annual rate (inclusive of inflation) of **0.6%** from 2022-23 to 2028-29.



- Part A+C prices are forecast to grow at an average annual rate (inclusive of inflation) of **10.1%** from 2022-23 to 2028-29.



- B+D prices are forecast to grow at an average annual rate (inclusive of inflation) of **2.6%** from 2022-23 to 2028-29.

Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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Draft prices show both lower bound cost reflective prices and recommended prices which apply the Government's maximum annual price change rule

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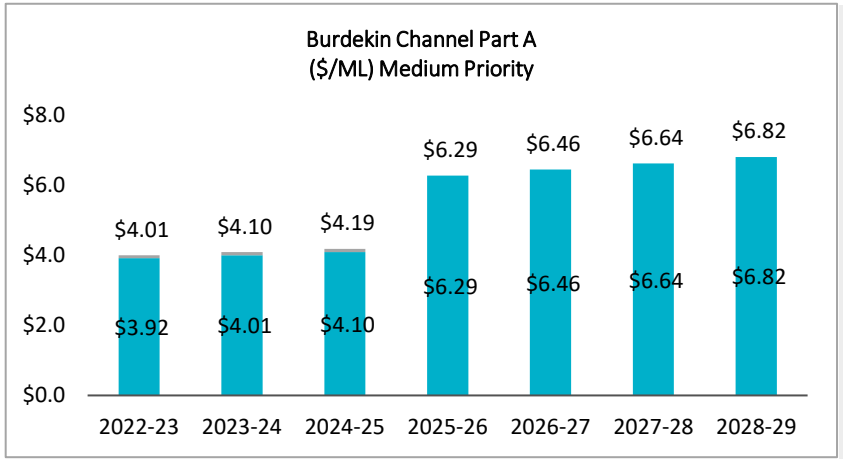
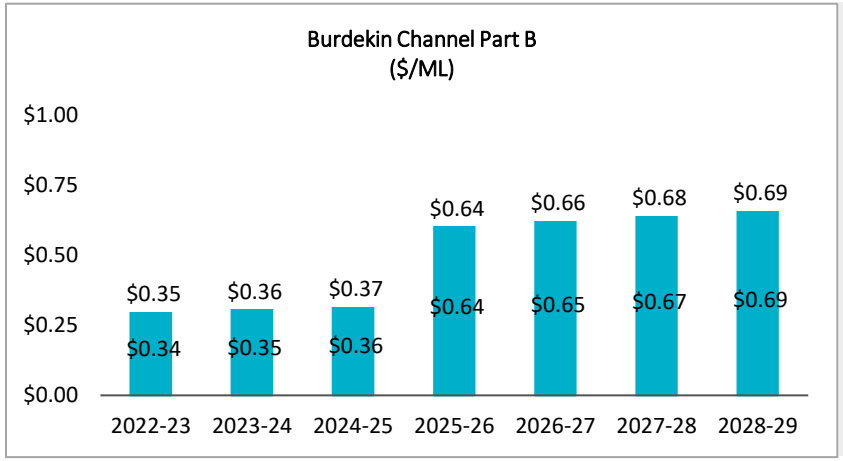
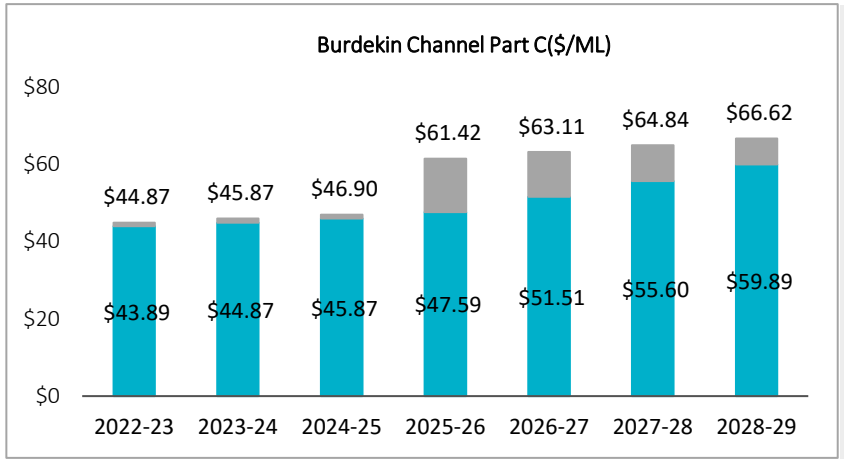


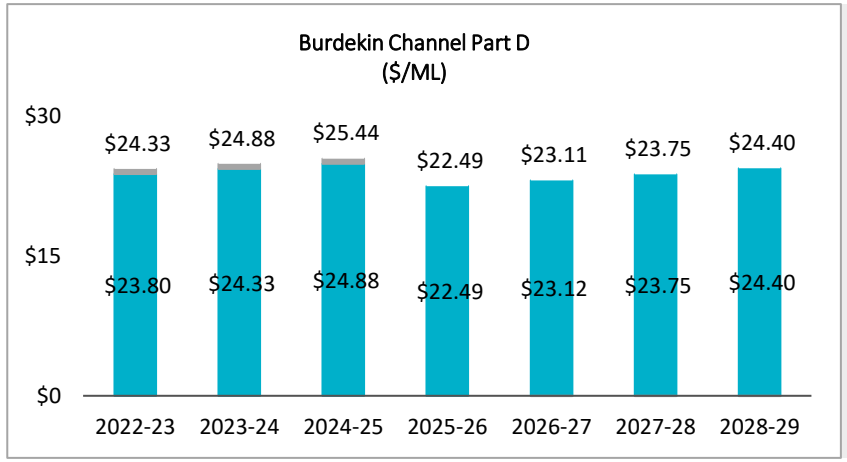
- Part A-MP prices are forecast to grow at an average annual rate (inclusive of inflation) of **9.7%** from 2022-23 to 2028-29.



- Part B prices are forecast to grow at an average annual rate (inclusive of inflation) of **12.4%** from 2022-23 to 2028-29.



- Part C prices are forecast to grow at an average annual rate (inclusive of inflation) of **5.3%** from 2022-23 to 2028-29.



- Part D prices are forecast to grow at an average annual rate (inclusive of inflation) of **0.4%** from 2022-23 to 2028-29.

Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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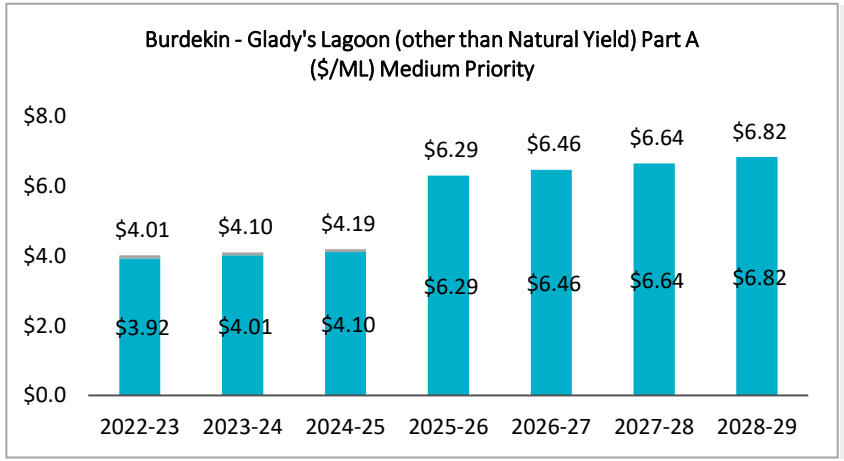
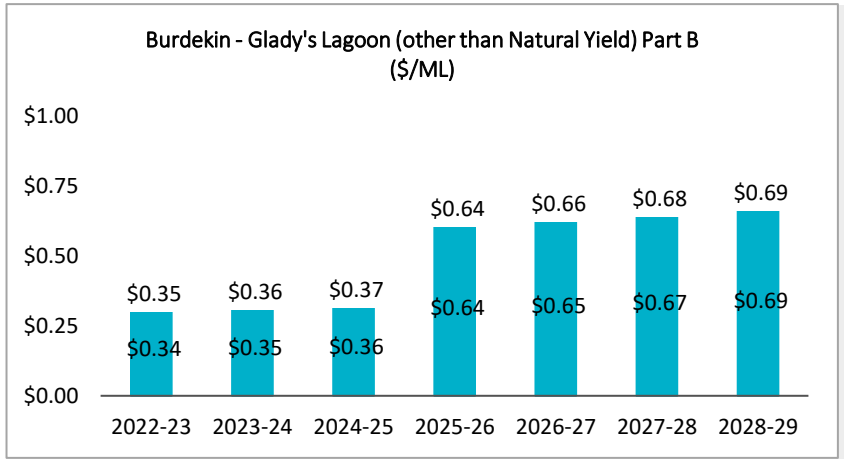
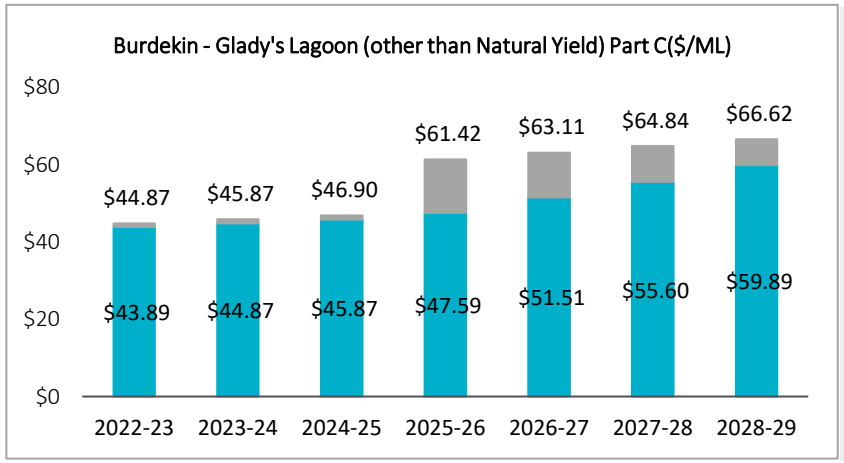


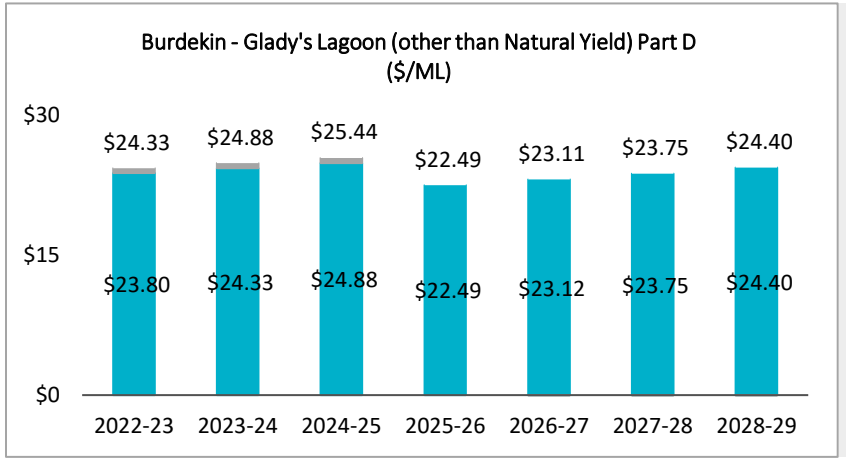
- Part A-MP prices are forecast to grow at an average annual rate (inclusive of inflation) of **9.7%** from 2022-23 to 2028-29.



- Part B prices are forecast to grow at an average annual rate (inclusive of inflation) of **12.4%** from 2022-23 to 2028-29.



- Part C prices are forecast to grow at an average annual rate (inclusive of inflation) of **5.3%** from 2022-23 to 2028-29.



- Part D prices are forecast to grow at an average annual rate (inclusive of inflation) of **0.4%** from 2022-23 to 2028-29.

Recommended irrigation prices

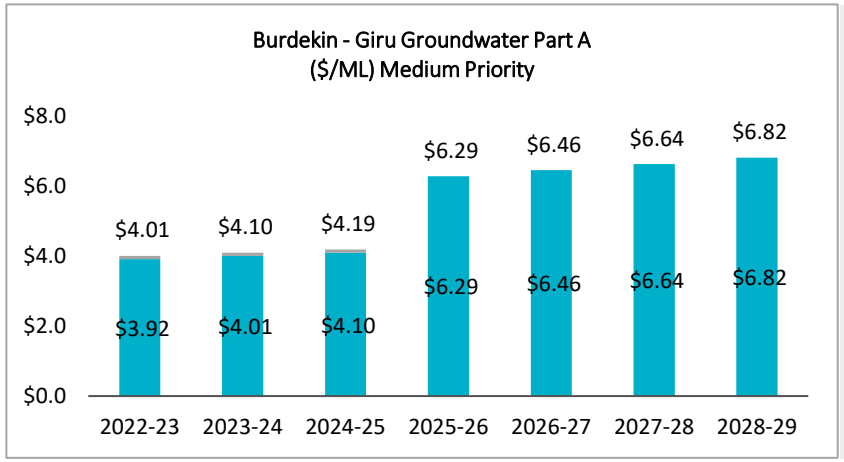
Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

sunwater

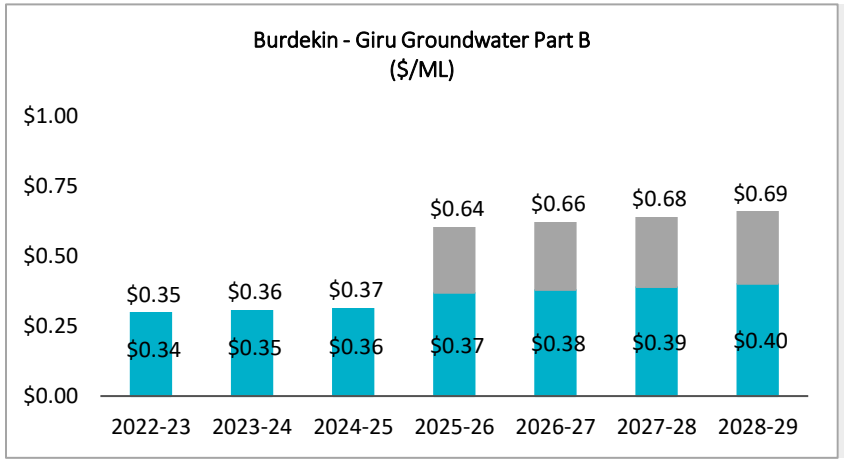
Draft prices show both lower bound cost reflective prices and recommended prices which apply the Government's maximum annual price change rule

DRAFT FORECAST PRICES

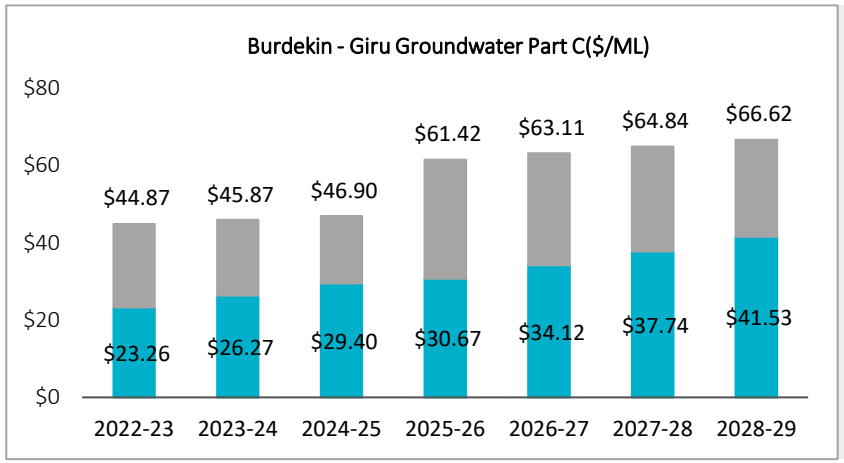
Prices shown do NOT include the 15% discount currently applied to irrigation prices consistent with the terms of the referral notice



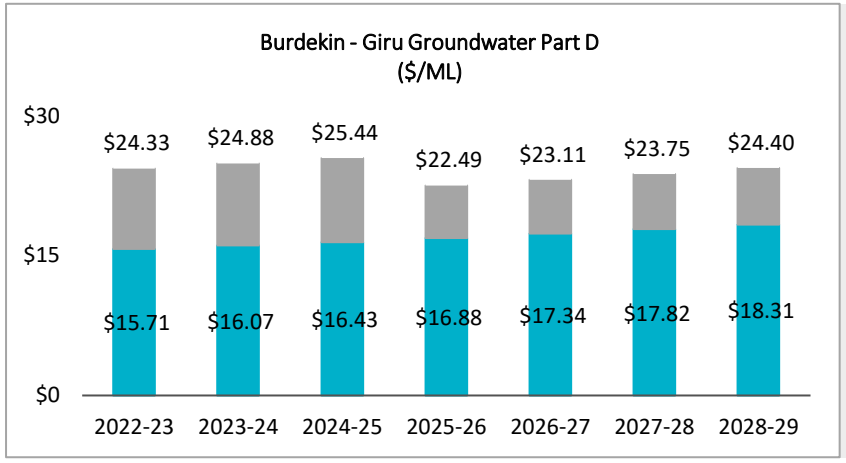
- Part A-MP prices are forecast to grow at an average annual rate (inclusive of inflation) of **9.7%** from 2022-23 to 2028-29.



- Part B prices are forecast to grow at an average annual rate (inclusive of inflation) of **2.7%** from 2022-23 to 2028-29.



- Part C prices are forecast to grow at an average annual rate (inclusive of inflation) of **10.1%** from 2022-23 to 2028-29.



- Part D prices are forecast to grow at an average annual rate (inclusive of inflation) of **2.6%** from 2022-23 to 2028-29.

Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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1

Price setting process and detail

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Overview of the price setting process

Step 1

Allocate revenue by charge type (Variable or fixed)

Includes operating expenditure, annuity contribution and revenue offset revenue building blocks.

Fixed (Part A/C)

All schemes

- ✓ 80 percent of operations and maintenance direct costs
- ✓ all other costs (including electricity)

Large electricity using schemes

- ✓ Varies according to scheme

Variable (Part B / D)

All schemes

- ✓ 20 percent of operations and maintenance direct costs

Large electricity using schemes

- ✓ Varies according to scheme

Step 2

Allocate fixed revenue to priority group allocation buckets

Allocation factors are relatively static, only changing when scheme operating parameters change, such as when entitlements are converted from one priority to another.

Fixed (Part A/C)

Bucket 1

Allocation by entitlement percentage

- ✓ 50 percent of operations (direct and indirect) and revenue offsets

Bucket 2

Allocation by headworks utilization factor

- ✓ All other categories

→

Step 3

Allocate fixed revenue to priority group

Apply the fixed revenue allocators to set the revenue requirement by Part A / Part C priority. For distribution schemes, revenue associated with customer loss entitlements are added here.

Fixed (Part A/C)

Bucket 1

Allocation by entitlement percentage

- ✓ Costs x percentage = priority group revenue

Bucket 2

Allocation by headworks utilization factor

- ✓ Costs x percentage = priority group revenue

→

Step 4

Calculate cost reflective prices

Cost reflective prices are set first using a ssigned revenue and volumes to produce $/ML prices.

Part A/C High Priority ($/ML)
= High priority costs ($) /
gross entitlements (ML WAE)

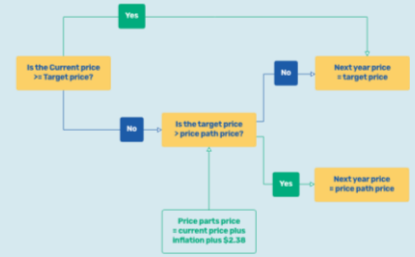
Part A/C Medium Priority ($/ML)
= Medium priority costs ($) /
gross entitlements (ML WAE)

Part B / D ($/ML)
= Variable costs ($) / [Entitlements
(net of losses) ML WAE x usage % (ML / ML WAE)]

Step 5

Calculating recommended prices

Cost reflective prices are then smoothed across the four-year price path period to set target prices. Recommended prices are set with reference to current prices, target prices and the price path principles.



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Burdekin Haughton WS

2025-26 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

Step 2

Allocate fixed revenue to priority group allocation buckets

Step 3

Allocate revenue to priority group

Step 4

Calculate cost reflective prices

	Total	Variable %	Variable	Fixed %	Fixed	WAE Priority % High 9.3%		HUF % High 21.0%	
Revenue Offers	-7.8			100%	-7.8	50%	-3.9	50%	-3.9
Operations-D	1,391.4	20%	278.28	80%	1,113.1	50%	556.6	50%	556.6
Operations-I	981.5			100%	981.5	50%	490.7	50%	490.7
Operations-IGEM	0							100%	0
Maintenance-D	521.6	20%	104.32	80%	417.3			100%	417.3
Maintenance-I	460.4							100%	460.4
Insurance	2,295.5							100%	2,295.5
Electricity	91.1	0%	0					100%	91.1
Annuity	1,777.92							100%	1,777.9
	7,511.7		382.6				1,043.4		6,085.7

			Revenue requirement by priority Group	Losses	Revenue requirement after losses	Conversion	Entitlements	Usage %	
Part A - HP	HP	9.3% x 1,043.4 + 21.0% x 6,085.7 =	1,374.6	- 223.5 =	1,151.1	x 1,000 /	83,738		= $13.75
Part A - MP	MP	90.7% x 1,043.4 + 79.0% x 6,085.7 =	5,754.5	- 671.4 =	5,083.1	x 1,000 /	865,308		= $5.87
Part B	VAR		382.6	- 46.3 =	336.3	x 1,000 / [	949,046	x 54.9%] =	$0.65

Key inputs	WAE	WAE%	Usage	HUF
High priority	99,998	9.3%		21.0%
Medium priority	979,594	90.7%		79.0%
Total	1,079,592		54.9%	
Customer losses	130,546			
Sub-scheme splits	0			

Distribution losses Calculated in bulk scheme and picked up in distribution system		Losses as % total WAE (ML)		Losses - high priority (assigned as negative)
High priority	x	16.3%	=	223.52
Medium priority	x	11.7%	=	671.36
Variable	x	12.1%	=	46.27

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2026-27 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

		Variable	
Revenue Offers	-8.0		
Operations-D	1,422.7	20%	284.54
Operations-I	997.4		
Operations-IGEM	0		
Maintenance-D	533.3	20%	106.67
Maintenance-I	471.1		
Insurance	2,348.7		
Electricity	93.1	0%	0
Annuity	1,824.1		
	7,682.5		391.2

Key inputs	WAE	WAE%	Usage	HUF
High priority	99,998	9.3%		21.0%
Medium priority	979,594	90.7%		79.0%
Total	1,079,592		54.9%	
Customer losses	130,546			
Sub-scheme splits	0			

Step 2

Allocate fixed revenue to priority group allocation buckets

	Fixed		WAE Priority %		HUF %	
			High	9.3%	High	21.0%
Revenue Offers	100%	-8.0	50%	-4.0	50%	-4.0
Operations-D	80%	1,138.2	50%	569.1	50%	569.1
Operations-I	100%	997.4	50%	498.7	50%	498.7
Operations-IGEM					100%	0
Maintenance-D	80%	426.7			100%	426.7
Maintenance-I					100%	471.1
Insurance					100%	2,348.7
Electricity					100%	93.1
Annuity					100%	1,824.1
			1,063.8		6,227.6	

Step 3

Allocate revenue to priority group

			Revenue requirement by priority Group		Losses		Revenue requirement after losses		Conversion		Entitlements		Usage %	
Part A - HP	HP	9.3% x 1,063.8 + 21.0% x 6,227.6	=	1,406.3	-	228.7	=	1,177.6	x	1,000	/	83,738	=	$14.06
Part A - MP	MP	90.7% x 1,063.8 + 79.0% x 6,227.6	=	5,885.0	-	686.6	=	5,198.4	x	1,000	/	865,308	=	$6.01
Part B	VAR			391.2	-	47.3	=	343.9	x	1,000	/ [	949,046 x 54.9%]	=	$0.66

Distribution losses Calculated in bulk scheme and picked up in distribution system		Losses as % total WAE (ML)		Losses - high priority (assigned as negative)
High priority	x	16.3%	=	228.67
Medium priority	x	11.7%	=	686.59
Variable	x	12.1%	=	47.31

Step 4

Calculate cost reflective prices

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2027-28 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

		Variable	
Revenue Offers	-8.2		
Operations-D	1,451.2	20%	290.23
Operations-I	1,019.6		
Operations-IGEM	0		
Maintenance-D	544.0	20%	108.80
Maintenance-I	480.5		
Insurance	2,399.7		
Electricity	95.0	0%	0
Annuity	1,872.9		
	7,854.7		399.0

Key inputs	WAE	WAE%	Usage	HUF
High priority	99,998	9.3%		21.0%
Medium priority	979,594	90.7%		79.0%
Total	1,079,592		54.9%	
Customer losses	130,546			
Sub-scheme splits	0			

Step 2

Allocate fixed revenue to priority group allocation buckets

	Fixed		WAE Priority %		HUF %	
			High	9.3%	High	21.0%
Revenue Offers	100%	-8.2	50%	-4.1	50%	-4.1
Operations-D	80%	1,160.9	50%	580.5	50%	580.5
Operations-I	100%	1,019.6	50%	509.8	50%	509.8
Operations-IGEM					100%	0
Maintenance-D	80%	435.2			100%	435.2
Maintenance-I					100%	480.5
Insurance					100%	2,399.7
Electricity					100%	95.0
Annuity					100%	1,872.9
			1,086.2		6,369.5	

Step 3

Allocate revenue to priority group

					Revenue requirement by priority Group		Losses		Revenue requirement after losses		Conversion		Entitlements		Usage %		
Part A - HP	HP	9.3%	x	1,086.2 + 21.0% x 6,369.5	=	1,438.2	-	233.9	=	1,204.3	x	1,000	/	83,738		=	$14.38
Part A - MP	MP	90.7%	x	1,086.2 + 79.0% x 6,369.5	=	6,017.5	-	702.0	=	5,315.4	x	1,000	/	865,308		=	$6.14
Part B	VAR					399.0	-	48.3	=	350.8	x	1,000	/ [	949,046	x 54.9%]	=	$0.67

Distribution losses Calculated in bulk scheme and picked up in distribution system		Losses as % total WAE (ML)		Losses - high priority (assigned as negative)
High priority	x	16.3%	=	233.86
Medium priority	x	11.7%	=	702.04
Variable	x	12.1%	=	48.25

Step 4

Calculate cost reflective prices

sunwater

2028-29 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

		Variable	
Revenue Offers	-8.4		
Operations-D	1,480.2	20%	296.04
Operations-I	1,041.6		
Operations-IGEM	0		
Maintenance-D	554.9	20%	110.98
Maintenance-I	490.2		
Insurance	2,450.4		
Electricity	96.9	0%	0
Annuity	1,915.0		
	8,020.6		407.0

Key inputs	WAE	WAE%	Usage	HUF
High priority	99,998	9.3%		21.0%
Medium priority	979,594	90.7%		79.0%
Total	1,079,592		54.9%	
Customer losses	130,546			
Sub-scheme splits	0			

Step 2

Allocate fixed revenue to priority group allocation buckets

	Fixed		WAE Priority %		HUF %	
			High	9.3%	High	21.0%
Revenue Offers	100%	-8.4	50%	-4.2	50%	-4.2
Operations-D	80%	1,184.1	50%	592.1	50%	592.1
Operations-I	100%	1,041.6	50%	520.8	50%	520.8
Operations-IGEM					100%	0
Maintenance-D	80%	443.9			100%	443.9
Maintenance-I					100%	490.2
Insurance					100%	2,450.4
Electricity					100%	96.9
Annuity					100%	1,915.0
			1,108.7			6,505.0

Step 3

Allocate revenue to priority group

					Revenue requirement by priority Group		Losses		Revenue requirement after losses		Conversion		Entitlements		Usage %		
Part A - HP	HP	9.3%	x	1,108.7	+ 21.0% x 6,505.0	=	1,468.7	-	238.8	=	1,229.9	x	1,000	/	83,738	=	$14.69
Part A - MP	MP	90.7%	x	1,108.7	+ 79.0% x 6,505.0	=	6,144.9	-	716.9	=	5,428.0	x	1,000	/	865,308	=	$6.27
Part B	VAR						407.0	-	49.2	=	357.8	x	1,000	/ [	949,046 x 54.9%	] =	$0.69

Distribution losses Calculated in bulk scheme and picked up in distribution system		Losses as % total WAE (ML)		Losses - high priority (assigned as negative)
High priority	x	16.3%	=	238.82
Medium priority	x	11.7%	=	716.91
Variable	x	12.1%	=	49.22

Step 4

Calculate cost reflective prices

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Burdekin IS

2025-26 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

Step 2

Allocate fixed revenue to priority group allocation buckets

Charge type	Revenue	Variable %	Variable	Fixed %	Fixed
Revenue Offers	-970.9			100%	-970.9
Operations-D	5,042.6	20%	1008.5	80%	4,034.1
Operations-I	3,494.0			100%	3,494.0
Operations-IGEM	0			100%	0
Maintenance-D	4,054.9	20%	811.0	80%	3,243.9
Maintenance-I	2,799.7			100%	2,799.7
Insurance	1,238.0	0%	0	100%	1,238.0
Electricity	4,587.9	75%	3460.1	25%	1,127.8
Annuity	4,521.9			100%	4,521.9
	24,768.1		5279.6		19,488.5

WAE Priority %	
High	3%

100% of fixed distribution revenue is allocated via the WAE %

HUF %	
High	0%

Distribution revenue is not allocated via the HUF

Key inputs	WAE	WAE%	Usage	HUF
High priority	10,017	3.0%		0%
Medium priority	321,573	97.0%		100%
Total	331,590		65.0%	
Customer losses	130,546			
Sub-scheme splits	16,437			

Step 3

Allocate revenue to priority group

Step 4

Calculate cost reflective prices

Revenue requirement by priority group | Conversion | Entitlements | Usage % | Usage % | Water harvesting

Part C - HP: 3.0% x 19,488.5 = 588.73 + [223.52 + 671.36] x 3.0% = 615.8 x 1,000 / 10,017 = **$61.47**

Part C - MP: 97.0% x 19,488.5 = 18,899.8 + [223.52 + 671.36] x 97.0% = 19,767.6 x 1,000 / 321,573 = **$61.47**

Part D: 5,279.61 + 46.27 = 5,325.9 x 1,000 / [331,590 x 65.0% + 16,437] = **$22.95**

Distribution losses - Calculated in bulk scheme		
High priority	=	223.52
Medium priority	=	671.36
Variable	=	46.27

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2026-27 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

	Total	Variable %	Variable
Revenue Offers	-998.4		
Operations-D	5,156.1	20%	1031.2
Operations-I	3,575.4		
Operations-IGEM	0		
Maintenance-D	4,145.5	20%	829.1
Maintenance-I	2,865.0		
Insurance	1,266.4	0%	0
Electricity	4,648.8	75%	3482.8
Annuity	4,716.1		
	25,374.9		5343.1

Key inputs	WAE	WAE%	Usage	HUF
High priority	10,017	3.0%		0%
Medium priority	321,573	97.0%		100%
Total	331,590		65.0%	
Customer losses	130,546			
Sub-scheme splits	16,437			

Step 2

Allocate fixed revenue to priority group allocation buckets

	Fixed %	Fixed
Revenue Offers	100%	-998.4
Operations-D	80%	4,124.9
Operations-I	100%	3,575.4
Operations-IGEM	100%	0
Maintenance-D	80%	3,316.4
Maintenance-I	100%	2,865.0
Insurance	100%	1,266.4
Electricity	25%	1,166.0
Annuity	100%	4,716.1
		20,031.7

WAE Priority %	
High	3%

100% of fixed distribution revenue is allocated via the WAE %

HUF %	
High	0%

Distribution revenue is not allocated via the HUF

Step 3

Allocate revenue to priority group

Step 4

Calculate cost reflective prices

	Step 3 calculation	Revenue requirement by priority group	Conversion	Entitlements	Usage %	Usage %	Water harvesting	Price
Part C - HP	3.0% x 20,031.7 = 605.14 + [228.67 + 686.59] x 3.0%	= 632.8	x 1,000	/ 10,017				= $63.17
Part C - MP	97.0% x 20,031.7 = 19,426.6 + [228.67 + 686.59] x 97.0%	= 20,314.2	x 1,000	/ 321,573				= $63.17
Part D	5,343.13 + 47.31	= 5,390.4	x 1,000	/ [331,590	x 65.0%		+ 16,437]	= $23.23

Distribution losses - Calculated in bulk scheme		
High priority	=	228.67
Medium priority	=	686.59
Variable	=	47.31

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2027-28 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

Step 2

Allocate fixed revenue to priority group allocation buckets

Charge type	Total	Variable %	Variable	Fixed %	Fixed
Revenue Offers	-1,025.9			100%	-1,025.9
Operations-D	5,259.2	20%	1051.8	80%	4,207.4
Operations-I	3,646.9			100%	3,646.9
Operations-IGEM	0			100%	0
Maintenance-D	4,228.4	20%	845.7	80%	3,382.7
Maintenance-I	2,922.3			100%	2,922.3
Insurance	1,293.5	0%	0	100%	1,293.5
Electricity	4,726.9	74%	3519.3	26%	1,207.6
Annuity	4,863.9			100%	4,863.9
	25,915.2		5416.8		20,498.4

WAE Priority %	
High	3%

100% of fixed distribution revenue is allocated via the WAE %

HUF %	
High	0%

Distribution revenue is not allocated via the HUF

Key inputs	WAE	WAE%	Usage	HUF
High priority	10,017	3.0%		0%
Medium priority	321,573	97.0%		100%
Total	331,590		65.0%	
Customer losses	130,546			
Sub-scheme splits	16,437			

Step 3

Allocate revenue to priority group

Step 4

Calculate cost reflective prices

Revenue requirement by priority group | Conversion | Entitlements | Usage % | Usage % | Water harvesting

Part C - HP: 3.0% x 20,498.4 = 619.24 + [233.86 + 702.04] x 3.0% = 647.5 x 1,000 / 10,017 = **$64.64**

Part C - MP: 97.0% x 20,498.4 = 19,879.1 + [233.86 + 702.04] x 97.0% = 20,786.8 x 1,000 / 321,573 = **$64.64**

Part D: 5,416.84 + 48.25 = 5,465.1 x 1,000 / [331,590 x 65.0% + 16,437] = **$23.55**

Distribution losses - Calculated in bulk scheme

High priority	=	233.86
Medium priority	=	702.04
Variable	=	48.25

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2028-29 price setting – calculation of cost reflective unsmoothed price

Step 1

Allocate revenue by charge type

Charge type	Total	Variable %	Variable
Revenue Offers	-1,051.5		
Operations-D	5,364.4	20%	1072.9
Operations-I	3,719.9		
Operations-IGEM	0		
Maintenance-D	4,313.0	20%	862.6
Maintenance-I	2,980.7		
Insurance	1,320.5	0%	0
Electricity	4,821.5	74%	3564.8
Annuity	5,196.6		
	26,665.0		5500.3

Key inputs	WAE	WAE%	Usage	HUF
High priority	10,017	3.0%		0%
Medium priority	321,573	97.0%		100%
Total	331,590		65.0%	
Customer losses	130,546			
Sub-scheme splits	16,437			

Step 2

Allocate fixed revenue to priority group allocation buckets

Charge type	Fixed %	Fixed
Revenue Offers	100%	-1,051.5
Operations-D	80%	4,291.5
Operations-I	100%	3,719.9
Operations-IGEM	100%	0
Maintenance-D	80%	3,450.4
Maintenance-I	100%	2,980.7
Insurance	100%	1,320.5
Electricity	26%	1,256.7
Annuity	100%	5,196.6
		21,164.8

WAE Priority %	
High	3%

100% of fixed distribution revenue is allocated via the WAE %

HUF %	
High	0%

Distribution revenue is not allocated via the HUF

Step 3

Allocate revenue to priority group

Step 4

Calculate cost reflective prices

							Revenue requirement by priority group		Conversion		Entitlements		Usage %		Usage %	Water harvesting		
Part C - HP	3.0%	x 21,164.8 =	639.37 + [	238.82	+ 716.91] x		3.0%	=	668.2	x	1,000	/	10,017				=	$66.71
Part C - MP	97.0%	x 21,164.8 =	20,525.4 + [	238.82	+ 716.91] x		97.0%	=	21,452.2	x	1,000	/	321,573				=	$66.71
Part D			5,500.25 +	49.22				=	5,549.5	x	1,000	/ [	331,590	x	65.0%	+ 16,437	] =	$23.92

Distribution losses - Calculated in bulk scheme		
High priority	=	238.82
Medium priority	=	716.91
Variable	=	49.22

Possible Renewals Funding Methodology Change

sunwater

Prior to finalising its pricing proposal in November, Sunwater is exploring a proposal to change the way renewals expenditure is funded through your prices

POSSIBLE RENEWALS FUNDING METHODOLOGY CHANGE

- This is a DRAFT proposal only – we are not committed to making this change.
- Customer feedback will be critical to our decision making on this proposal – it is highly unlikely we will look to proceed with this change if it does not have customer support.
- Sunwater to explore a proposal to shift the way we ask customers to fund our renewals expenditure.
- We are proposing this to align Sunwater with best practice pricing and to deliver improved transparency, simplicity and efficiency in the way we forecast costs and recover them through your prices.
- The proposal involves a change from an annuity contribution (a key element of your current prices) to a regulated asset base (RAB) form of cost recovery for renewals expenditure.

Renewals expenditure is currently recovered via an annuity contribution which is a key element of customer prices

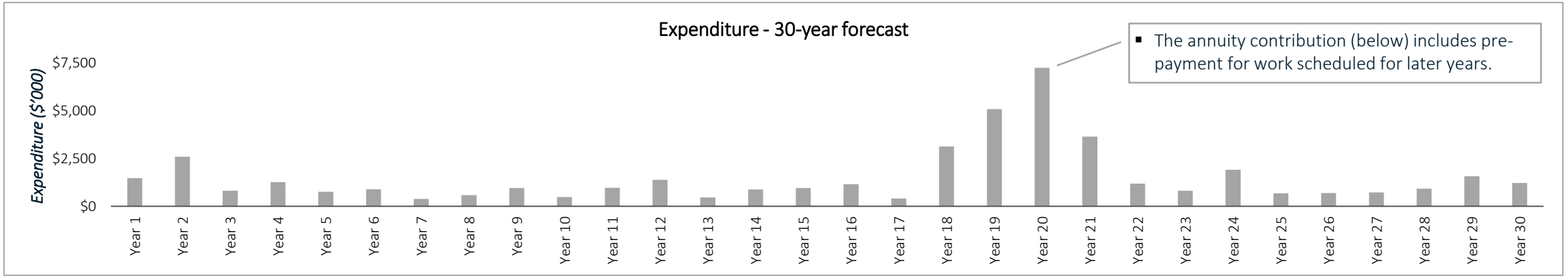
RENEWALS FUNDING METHODOLOGY – OUR PROPOSAL

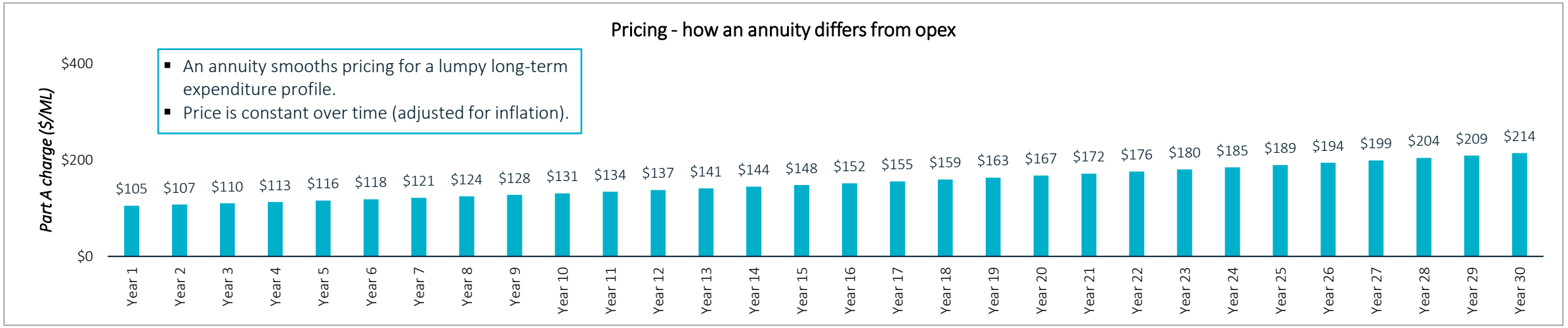
1. Sunwater's irrigation prices are set to recover a lower bound revenue allowance.
2. A **lower bound revenue allowance** gives us the revenue we need to fund the **operation, maintenance and renewal of our assets.**
3. That lower bound revenue allowance currently comprises two primary building blocks:
    a. an operating expenditure building block
    b. a renewals expenditure building block, in the form of an annuity allowance.
4. This proposal outlines a possible change in the **renewals expenditure building block** from an *annuity allowance* to an *allowance based on a regulated asset base (RAB) methodology.*
5. This proposal IS NOT a change from a lower bound revenue allowance or pricing.

sunwater

An annuity works by taking an uneven time-series of future expenses and turning it into a constant yearly payment over the same period

CURRENT STATE – HOW AN ANNUITY WORKS



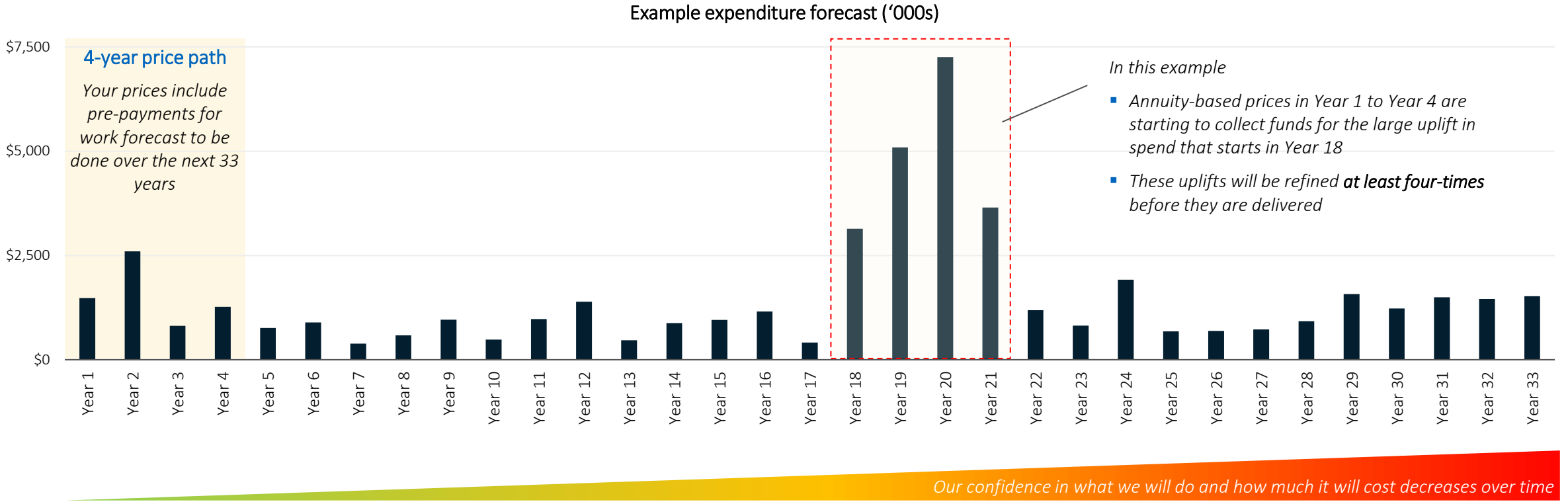


sunwater

We are proposing a change because the current annuity approach is complicated, inefficient and lacks transparency

CURRENT STATE – WHY WE ARE PROPOSING A CHANGE

- *Setting prices for a 4-year period requires a **33-year forecast***
- *Considerable time and effort (Sunwater, customers and regulator) is spent on highly uncertain longer term that will change - effort that is required for pricing, not service delivery*
- *What you pay for over the price path period is not well aligned with what we are doing to deliver your services*

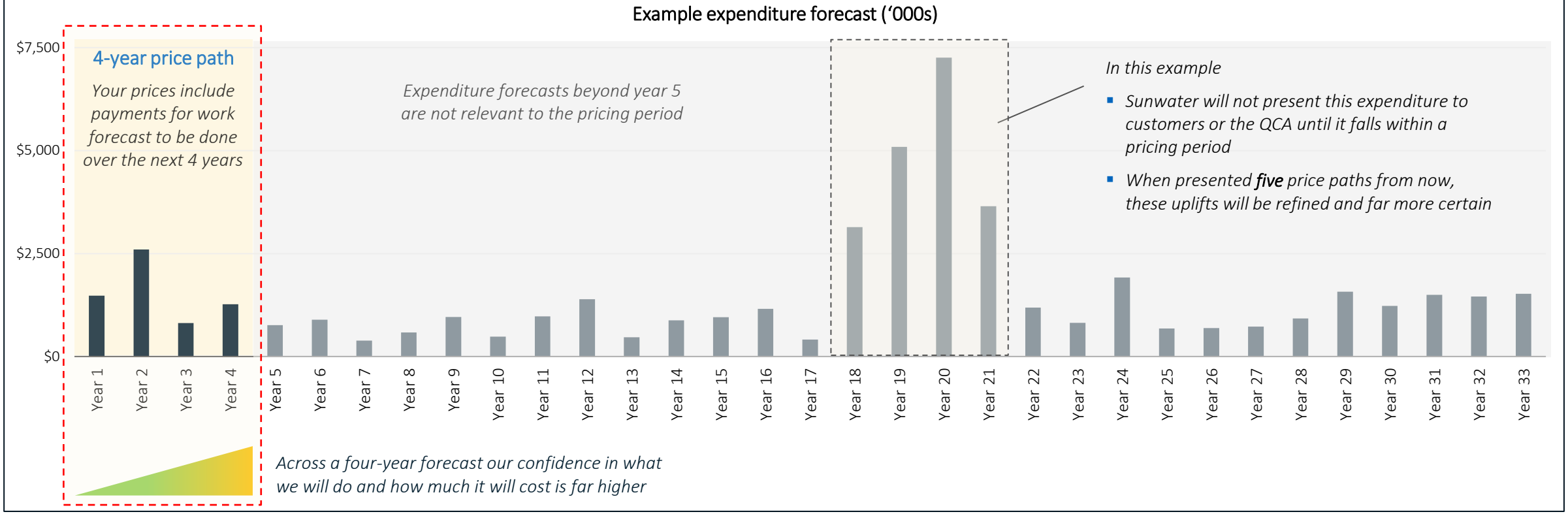


sunwater

In contrast to the annuity approach, the proposed RAB-based approach, is more simple, more efficient and more transparent

PROPOSED FUTURE STATE – BENEFITS

- *Setting prices for a 4-year period requires a **4-year forecast***
- *What you pay for over the price path period is well aligned with what we are doing to deliver your services*
- *All our collective (Sunwater, customers and regulator) time and effort is spent on expenditure for the four-year pricing period, work Sunwater is actively planning for now*



sunwater

Over the past 20+ years other regulated irrigation businesses in Australia have moved away from annuity funding of expenditure

PROPOSED FUTURE STATE – WHAT DO PEERS AND REGULATORS THINK?

Peers that have replaced an annuity funding approach with a RAB

- State Water (NSW) transitioned to a RAB-based approach in 2006
- In Victoria:
  - Goulburn-Murray Water ended its annuity approach in 2005
  - Southern Rural Water decided to transition from the annuity approach to the RAB approach in 2013
  - Lower Murray Water and Grampians Wimmera Murray Water also use a RAB-based approach.

What do regulators think?

- The Independent Pricing and Regulatory Tribunal (IPART) considered that the RAB-based approach was generally superior to the annuity approach in terms of economic efficiency and regulatory effectiveness.
- The Essential Services Commission's rationale for approving the transition in Victoria was the re-configuration of rural irrigation systems, which meant that it was unlikely that existing assets would be replaced with like assets.
- The QCA addressed this topic at length in its 2020 Final Report, concluding that a RAB-based approach would:

  "reduce the reliance on long-term renewals forecasts, improve transparency by allowing customers to see the pricing impacts of near-term renewals expenditure, and incentivise Sunwater to achieve efficiencies including the flexibility to re-prioritise its expenditure to pursue least cost opportunities."

sunwater

The proposed RAB-based recovery of renewals expenditure does not change the policy position of lower bound pricing for irrigation customers

PROPOSED FUTURE STATE – CONTINUATION OF LOWER BOUND PRICING

1. Sunwater's irrigation prices **would continue to be** set to recover a lower bound revenue allowance, giving us the revenue we need to fund the operation, maintenance and renewal of our assets
2. That lower bound revenue allowance would comprise **three primary** building blocks
    a. an operating expenditure building block
    b. a renewals capital "borrowing costs" building block
    c. a renewals capital "return of" (or depreciation) building block
3. Sunwater's renewals expenditure forecast would be separated into operating expenditure and capital expenditure elements
    - The former would be added to the operating expenditure building block, while the later would be used to calculate the two capital building blocks
4. A fourth tax allowance building block may also apply (subject to a review of accounting treatment of capital expenditure)
    - annuity treatment of renewals expenditure as 'operational'— means it is deductible for tax purposes, and as a result, there was no tax liability associated with renewing existing assets
    - changing to a RAB based on capital expenditure means a tax liability may exist – however Sunwater's ability to fully deduct capital costs for tax purposes in the year in which the cost is incurred is likely to limit the size of this allowance

sunwater

The capex repayment comprises a capital returns for depreciation and borrowing costs – like the principal and interest payment components on a home loan

PROPOSED FUTURE STATE – KEY TERMS

Weighted average cost of capital (WACC)

- The interest rate a "typical" or "benchmark" business may earn on its investments.
- In simple terms, it is like the interest a bank earns on its investment in your home. The bank considers the money it loans you an investment and needs to make a return on that investment.
- The WACC is the method that regulators typically use to determine what a reasonable rate of return is.
- The rate of return is a critical input for calculating Sunwater's revenue allowance for both the annuity and RAB methodologies

Regulated asset base (RAB)

- Represents the total of all the individual capital investments a business has made to provide a regulated service, NOT the replacement costs of the assets
- Each year a depreciation amount is deducted from it, while the value of any new capital expenditure is added to it

Capital "borrowing costs"

- Effectively the amount Sunwater earns via prices on its investments (i.e. the pump stations, channels, weirs etc that Sunwater has "renewed" so that the assets continue to perform a useful role in delivering your service)
- Calculated as the WACC multiplied by the value of the investment (i.e. an individual asset, or a bundle of assets in the form of a RAB)
- Importantly, Sunwater does NOT set its own rate of return – we provide an estimate (according to the QCA's methodology) and the QCA sets the final rate

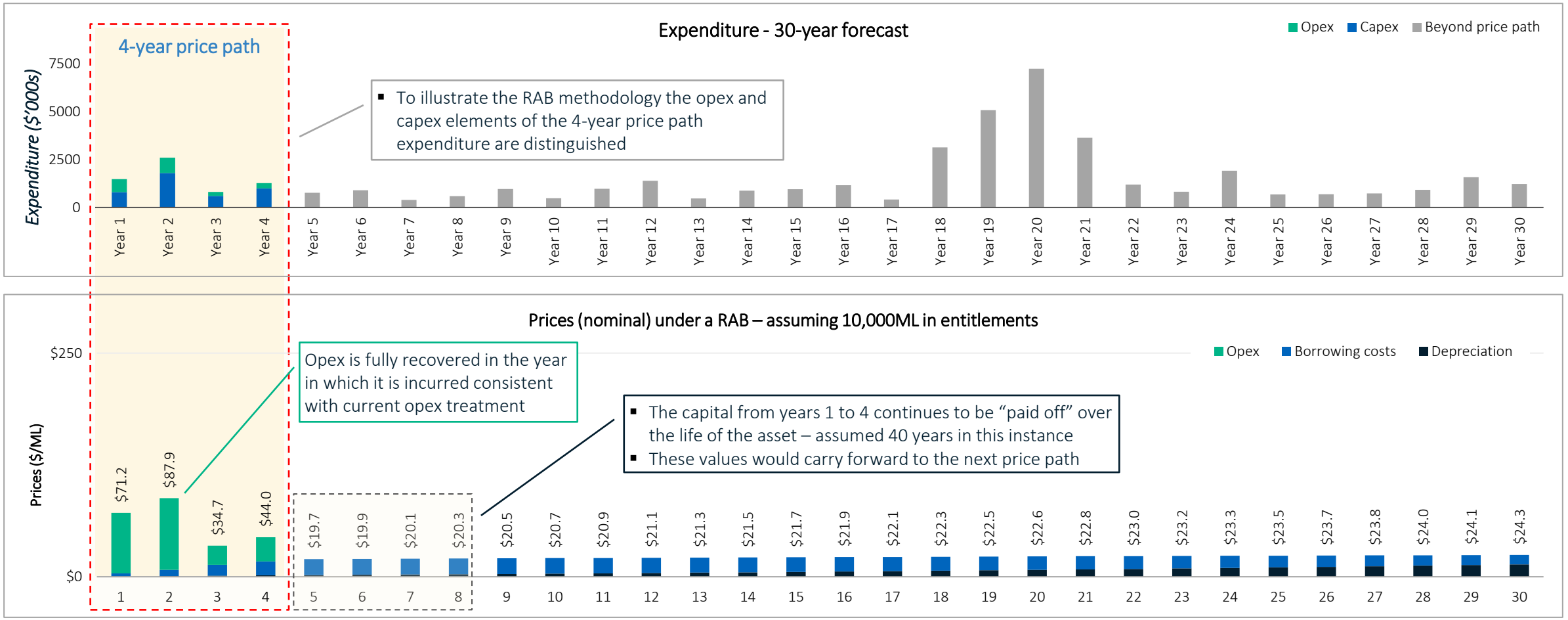
Capital "return of" (regulatory depreciation)

- In regulatory terms, depreciation is the allowance a business receives from its customers (via prices) to pay off the principal component of its investment. Typically calculated as the value of the original investment divided by the (assumed) useful life of the asset.
- For example, if the asset was worth $20 million, and the remaining life of the asset was 20 years, then depreciation would be $1 million.

sunwater

A RAB approach separates opex and capex, and turns capex into a sequence of repayments over the life of the asset (like paying down a mortgage)

PROPOSED FUTURE STATE – METHODOLOGY OVERVIEW

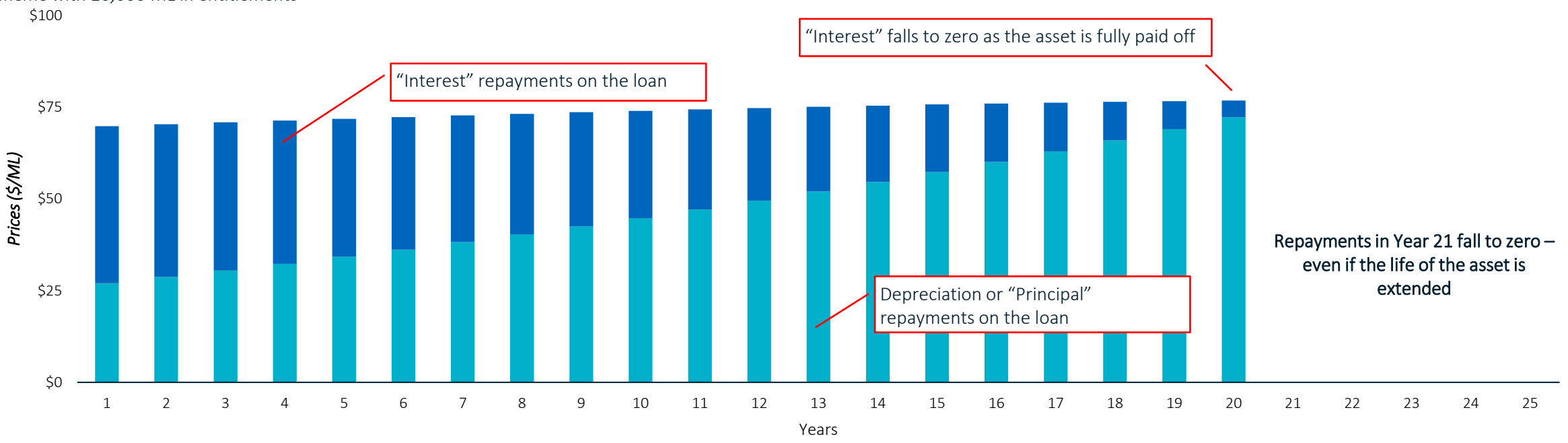


sunwater

This is what the capital payment (or cashflow) profile looks like for a single asset over its lifetime – shown in nominal terms

PROPOSED FUTURE STATE – EXAMPLE CAPITAL REPAYMENT PROFILE UNDER RAB METHODOLOGY

$10m asset assumed to have a 20-year useful life, in a scheme with 10,000 ML in entitlements



sunwater

To implement this change, we need to consider an appropriate treatment of closing annuity balances and set an opening RAB

PROPOSED FUTURE STATE – TREATMENT OF ANNUITY BALANCES

- The transition from an annuity to a RAB would occur from 30 June 2025 to 1 July 2025
- On 30 June 2025, each scheme will have either a positive or negative closing annuity balance
  - Positive balances reflect money Sunwater has collected from customers ahead of future expenditure
  - Negative balances reflect money Sunwater has spent renewing assets ahead of recovering it from customers
- Consistent with the QCA's thinking presented in its 2020 Final Report (Part B) we propose to:
  - Return positive balances to customer via lower customer prices
  - Recover negative balances from customers over time

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To implement this change, we need to consider an appropriate treatment of closing annuity balances and set an opening RAB

PROPOSED FUTURE STATE – QCA GUIDANCE ON TREATMENT OF ANNUITY BALANCES

	QCA's thinking (Section 4.2 of Final Report)	Sunwater's proposed approach
Positive balances	• Returning the balance directly through prices—Sunwater could return positive balances through rebates, price decreases or by offsetting future price increases • Offsetting the positive balance against the value of the RAB.	We think the most equitable and straightforward approach is to: • Return the balance to customers directly through prices over the four-year price path
Negative balances	• Negative annuity balances can be addressed by rolling the outstanding liability into the RAB and allowing for a return on and of the asset. The RAB-based approach would allow Sunwater to service any debt associated with the liability. • Set the value of the opening RAB such that it generates a revenue stream that equates with that of the current annuity revenue. • Preserve the annuity balances and allow prices to increase to recover the negative balances over a set period (e.g. 10 years).	We think the most appropriate approach, considering simplicity and Sunwater's need to service its debt, is to: • Roll the outstanding liability into a starting RAB balance • The RAB balance would depreciate and Sunwater would earn a: – renewals capital return building block – renewals capital depreciation building block

sunwater

Sunwater has modelled revenues and prices under both methodologies to support customer consideration of this proposal

PROPOSED FUTURE STATE – WHAT DOES IT MEAN FOR PRICES?

- Sunwater has modelled prices under both methodologies for each scheme
  - Across 12 years, representing three four-year price path periods
  - Using an estimated WACC (held constant over time)
  - Using common 41-year forecast expenditure profile (required for a 12-year annuity contribution forecast under Sunwater's rolling annuity approach)
  - Returning positive annuity balances to customers in the first 4 years
  - Rolling outstanding annuity liabilities (negative balances) into a (positive) starting RAB balance
- Forecasts shown for years 5 to 12 are indicative only and DO NOT form part of this proposal – they are intended to illustrate the likely changes in relative pricing over time derived from the different methodologies

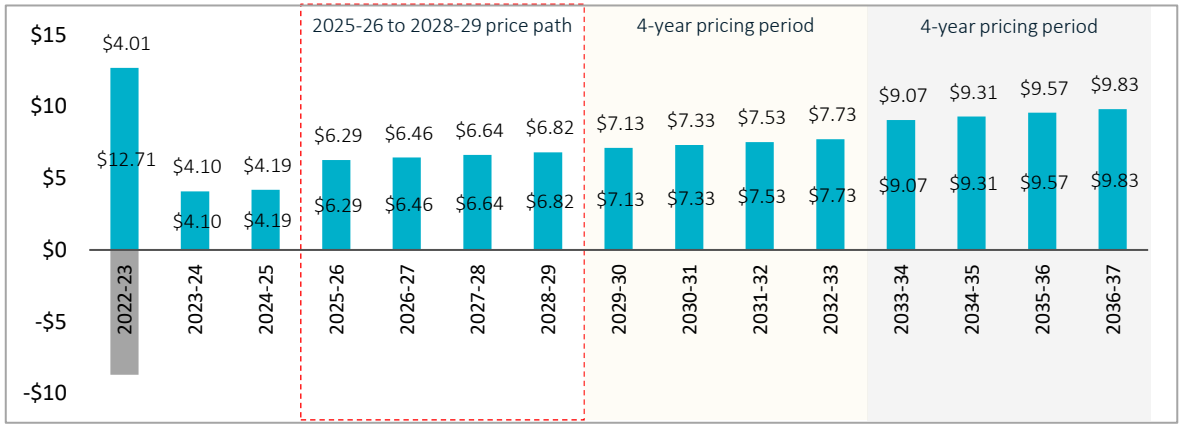
Burdekin WS

The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

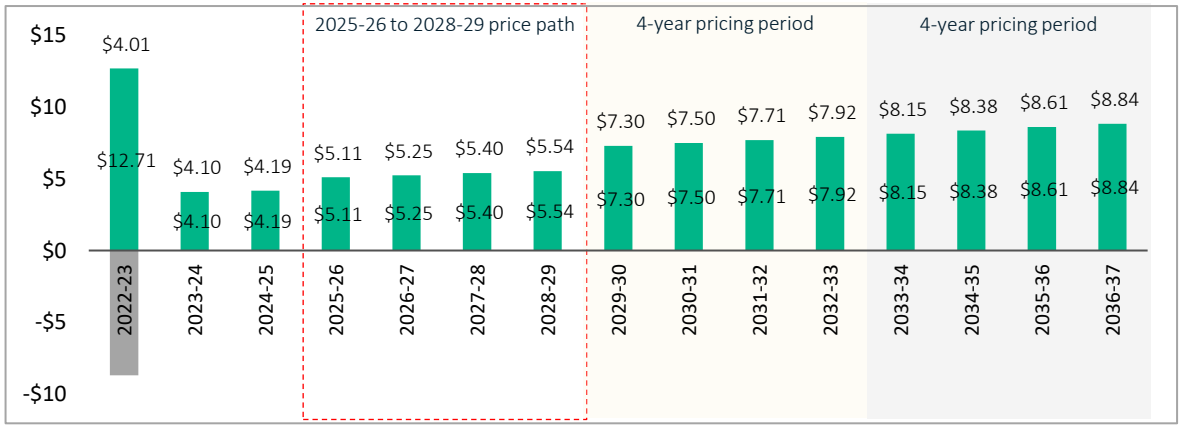
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Burdekin - Haughton

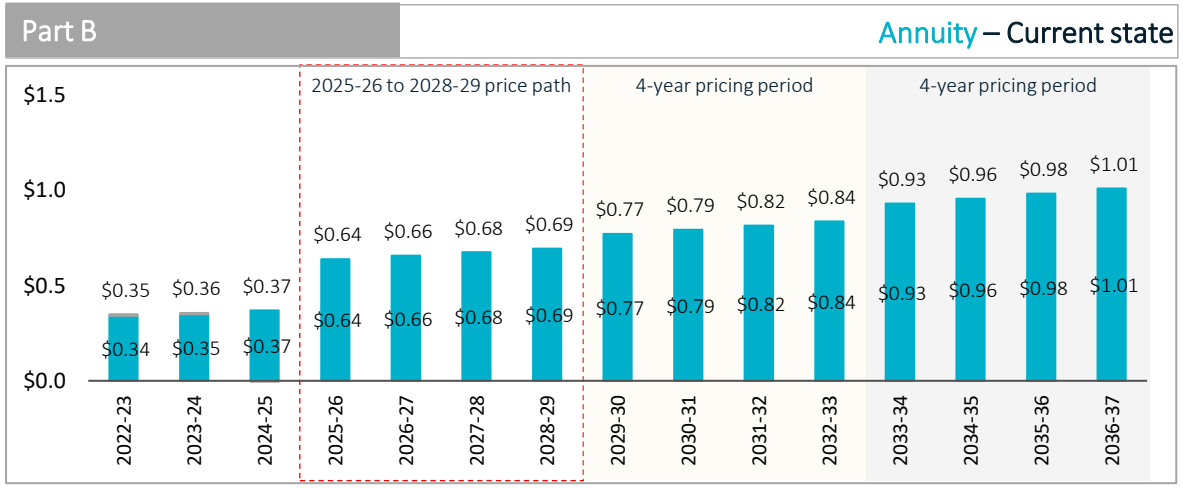
Part A – Medium Priority — Annuity – Current state



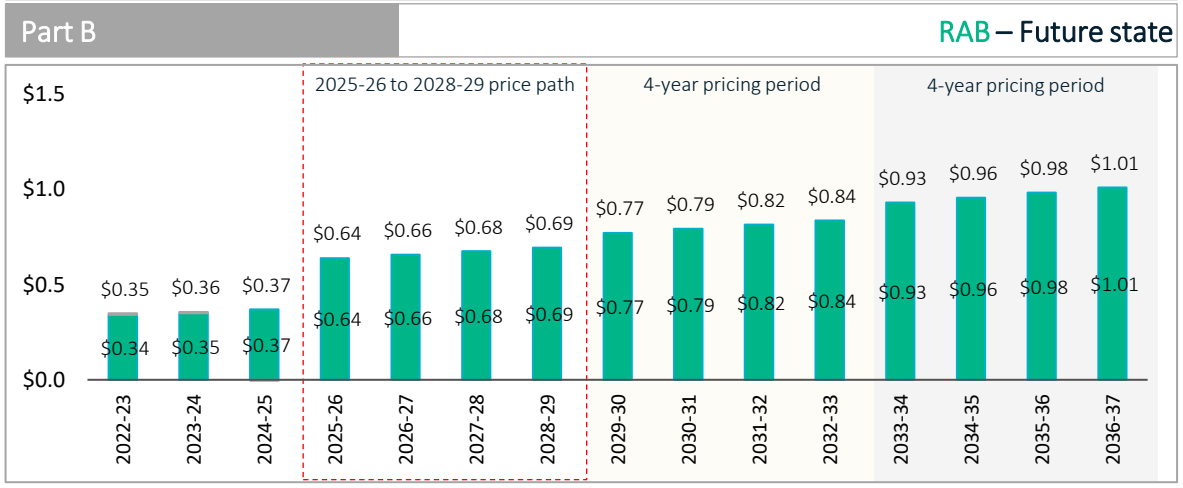
Part A – Medium Priority — RAB – Future state



Part B — Annuity – Current state



Part B — RAB – Future state



Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

sunwater

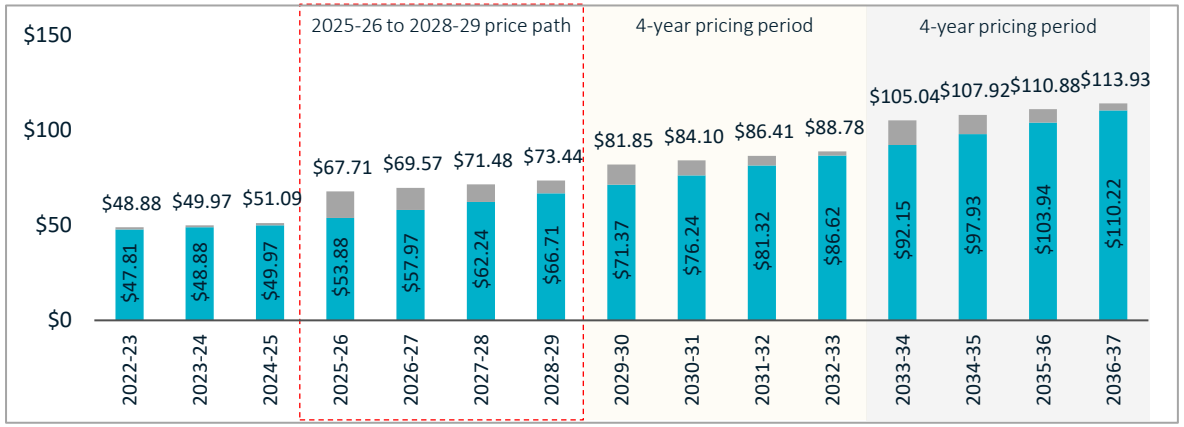
Burdekin IS

The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

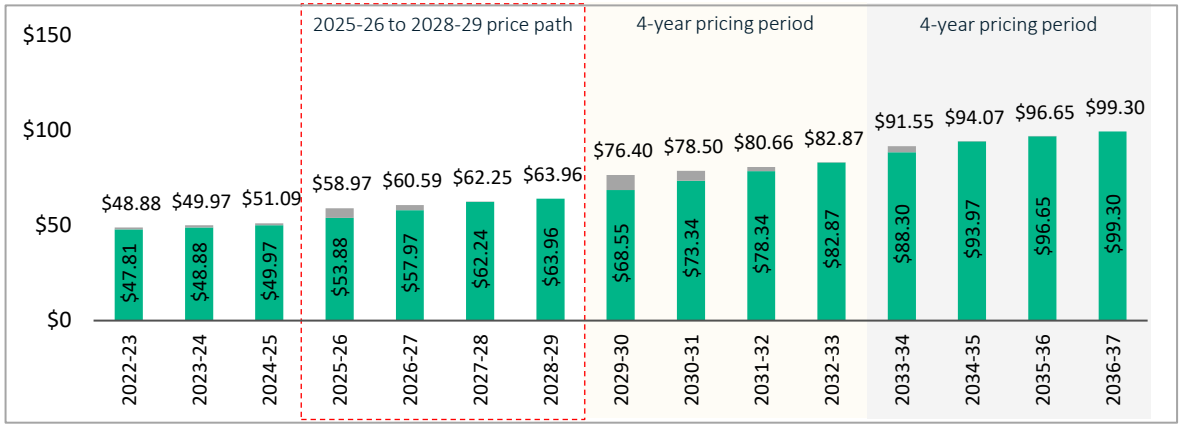
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Burdekin Channel

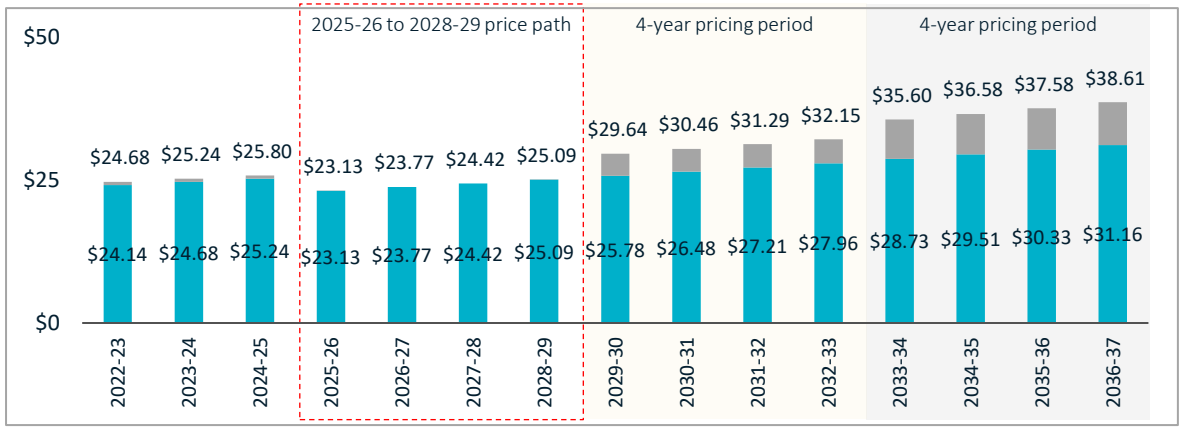
Part A+C – Medium Priority — Annuity – Current state



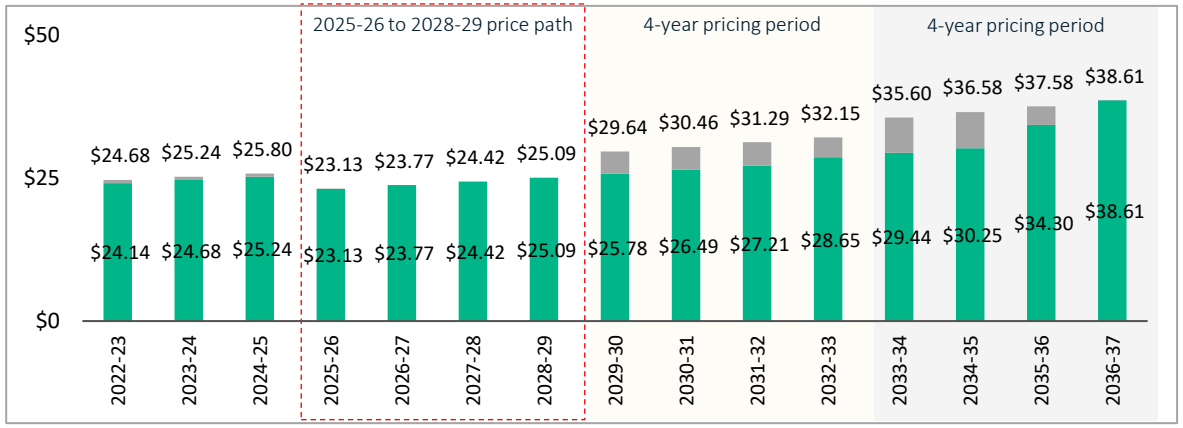
Part A+C – Medium Priority — RAB – Future state



Part B+D — Annuity – Current state



Part B+D — RAB – Future state



Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

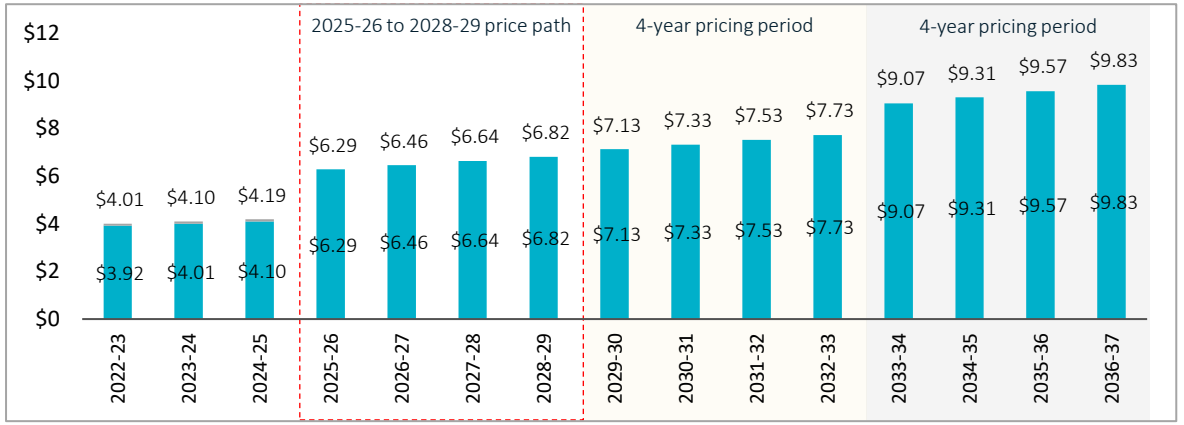
sunwater

The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

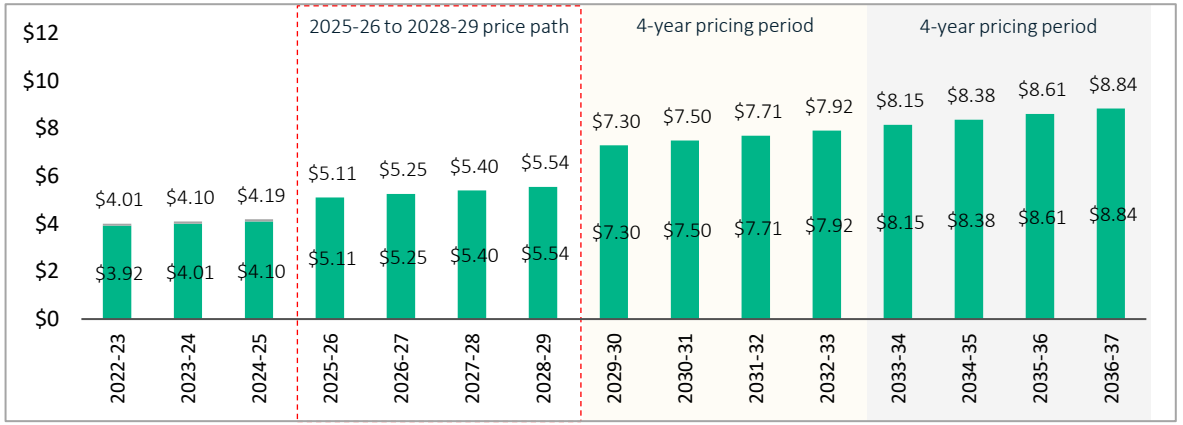
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Burdekin Channel

Part A – Medium Priority — Annuity – Current state



Part A – Medium Priority — RAB – Future state



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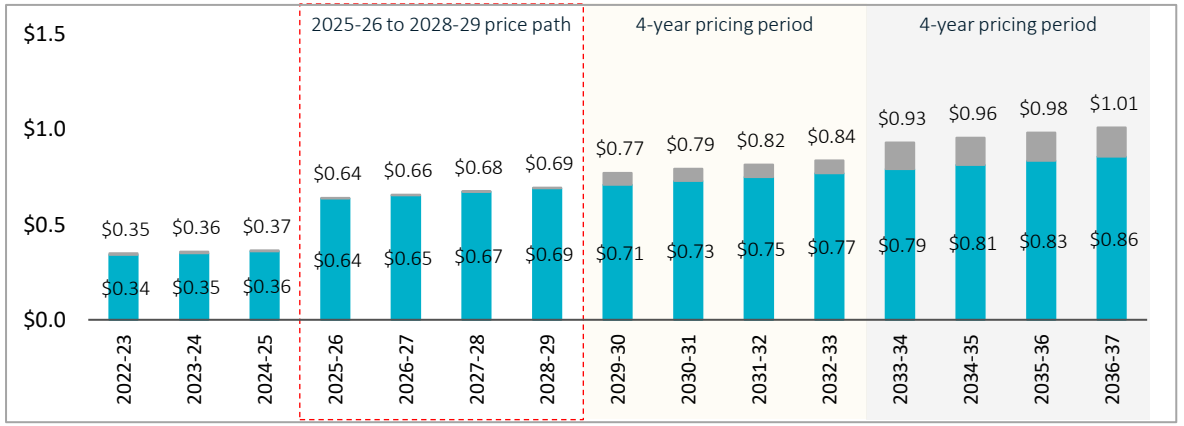
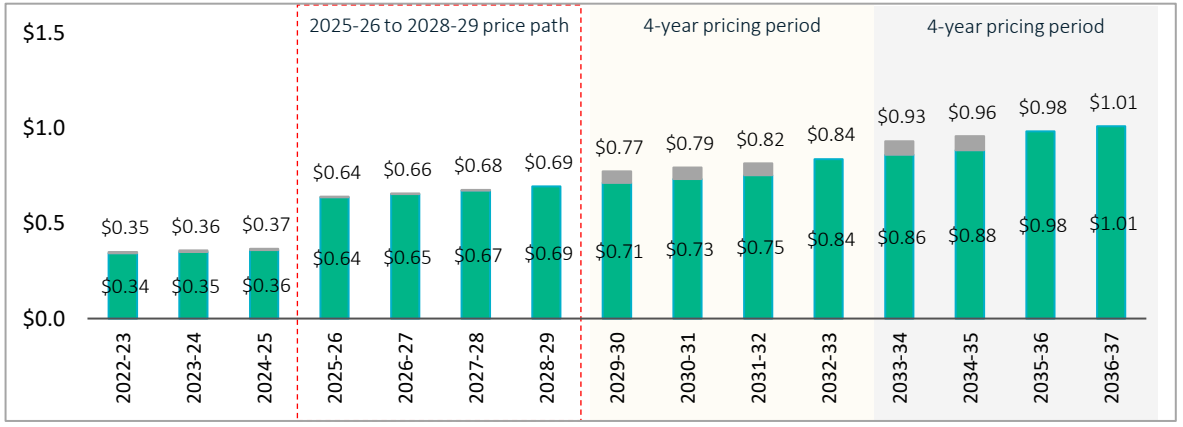


Part B — RAB – Future state



Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

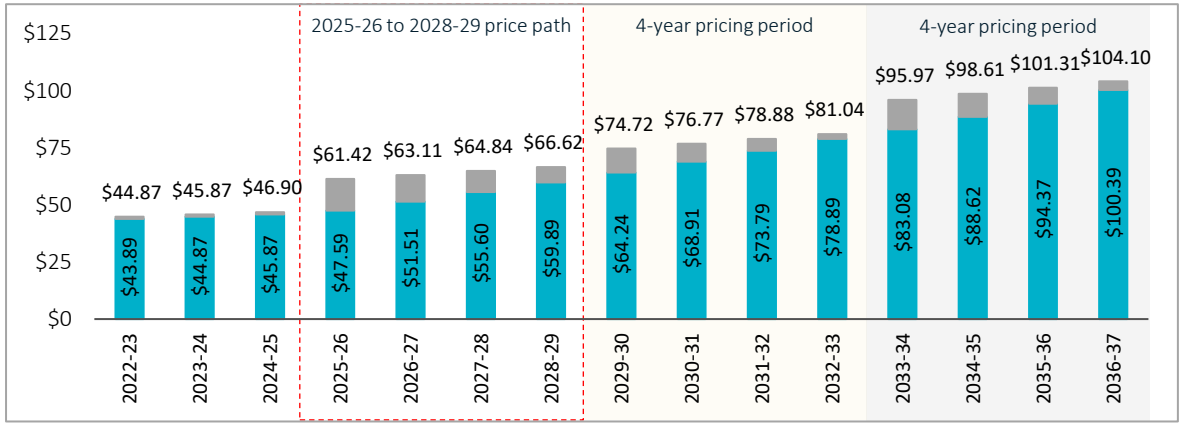
sunwater

The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

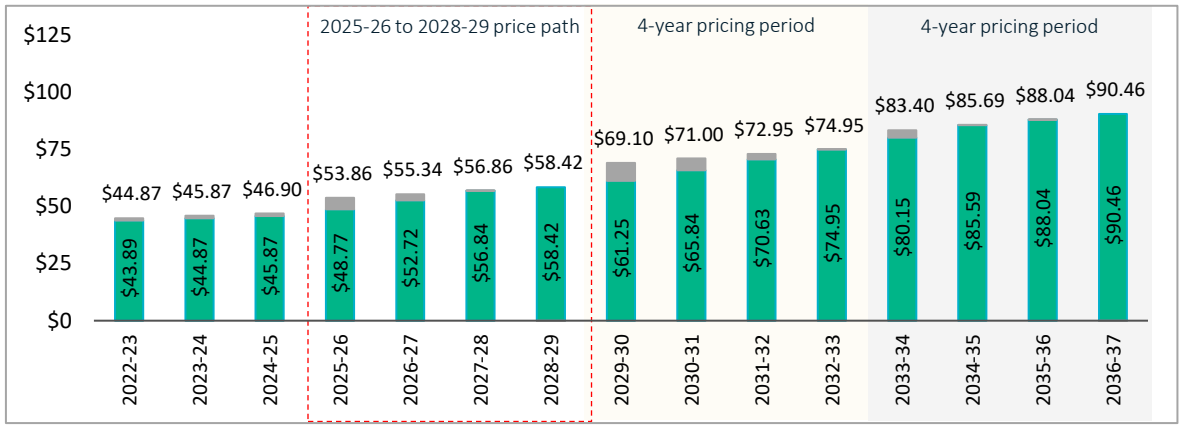
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Burdekin Channel

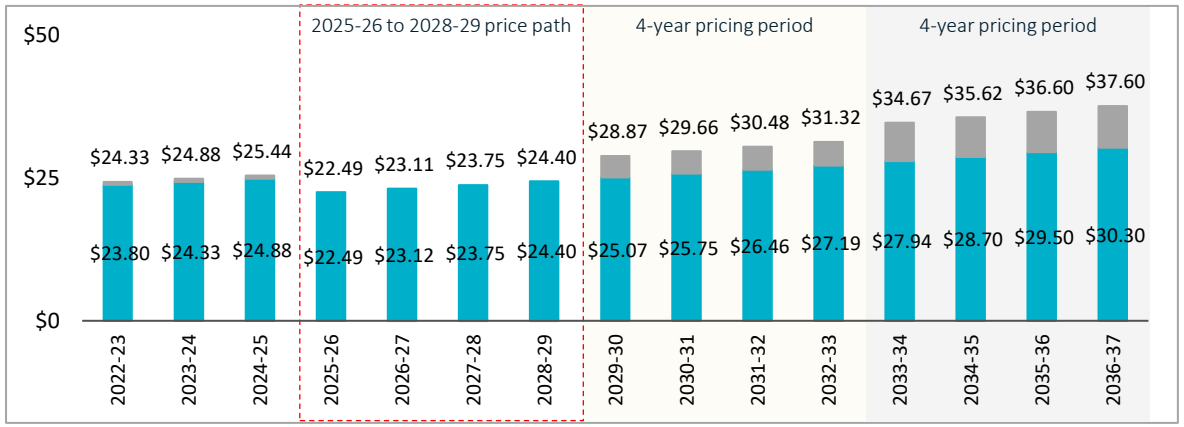
Part C – Annuity – Current state



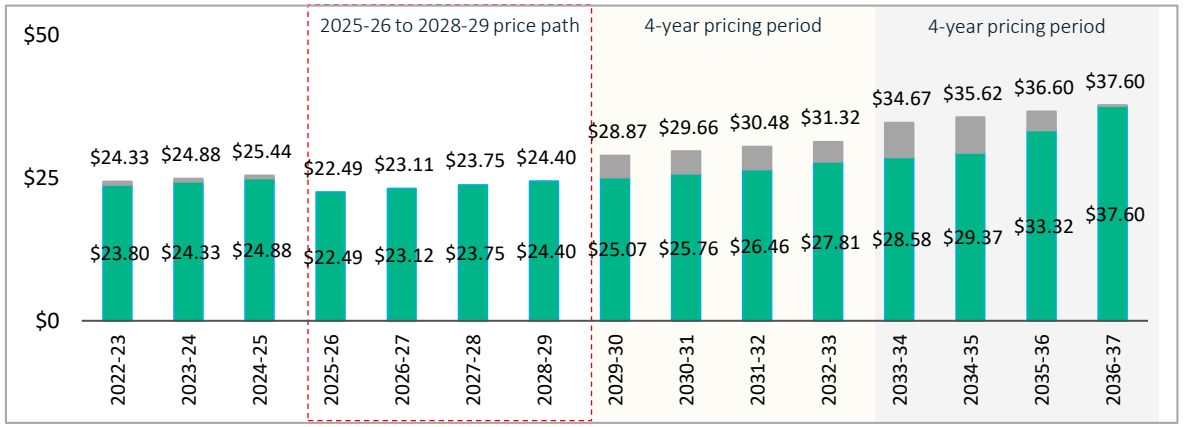
Part C – RAB – Future state



Part D – Annuity – Current state



Part D – RAB – Future state



Recommended irrigation prices

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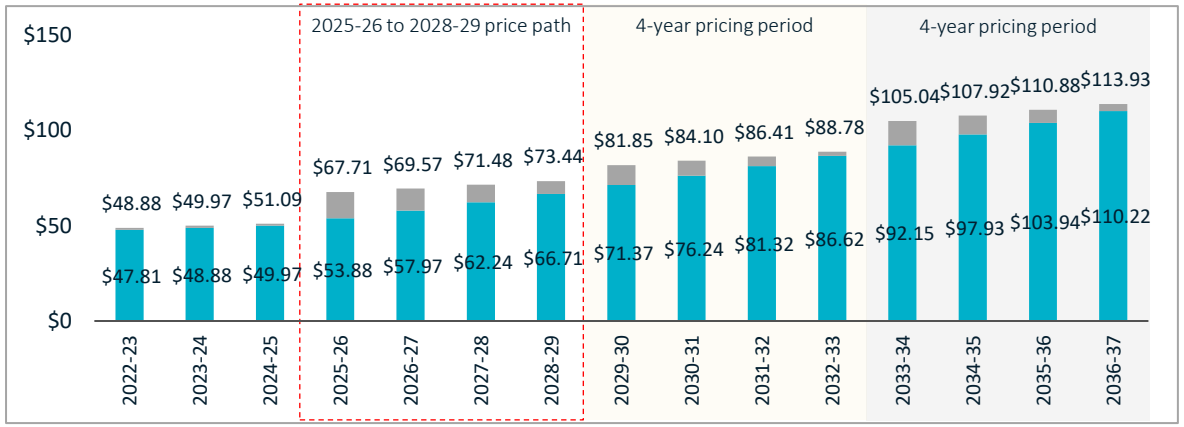
sunwater

The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

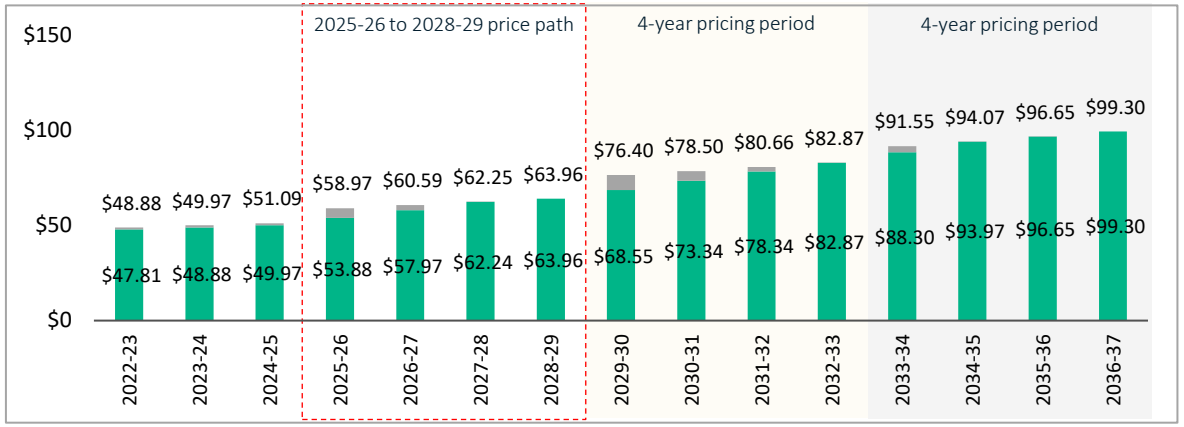
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Glady's Lagoon (other than natural yield)

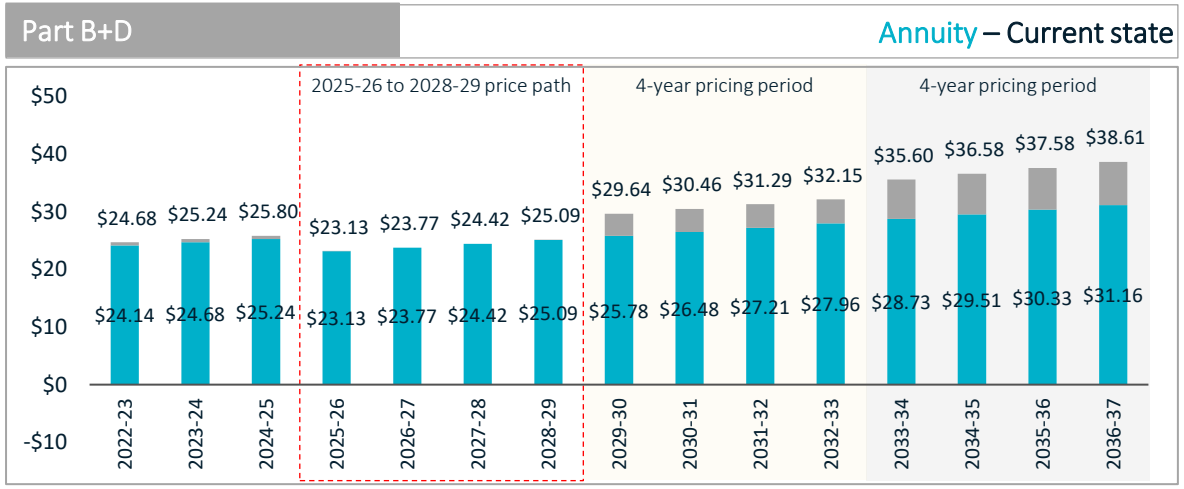
Part A+C – Medium Priority — Annuity – Current state



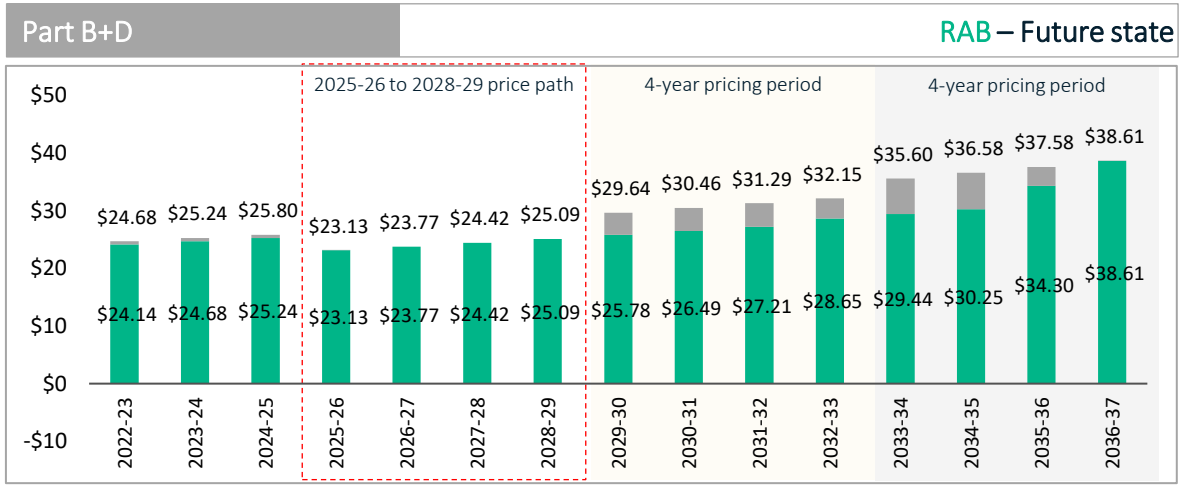
Part A+C – Medium Priority — RAB – Future state



Part B+D — Annuity – Current state



Part B+D — RAB – Future state



Recommended irrigation prices

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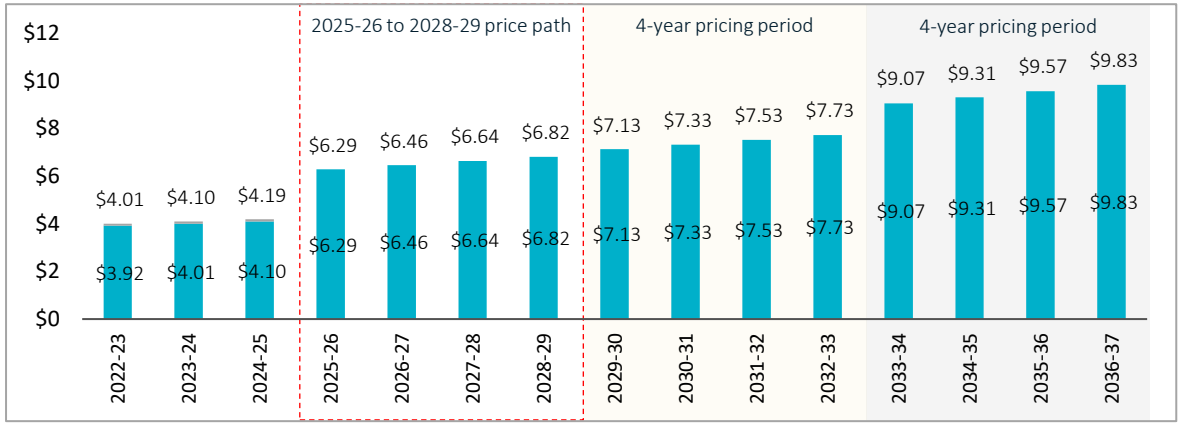
sunwater

The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

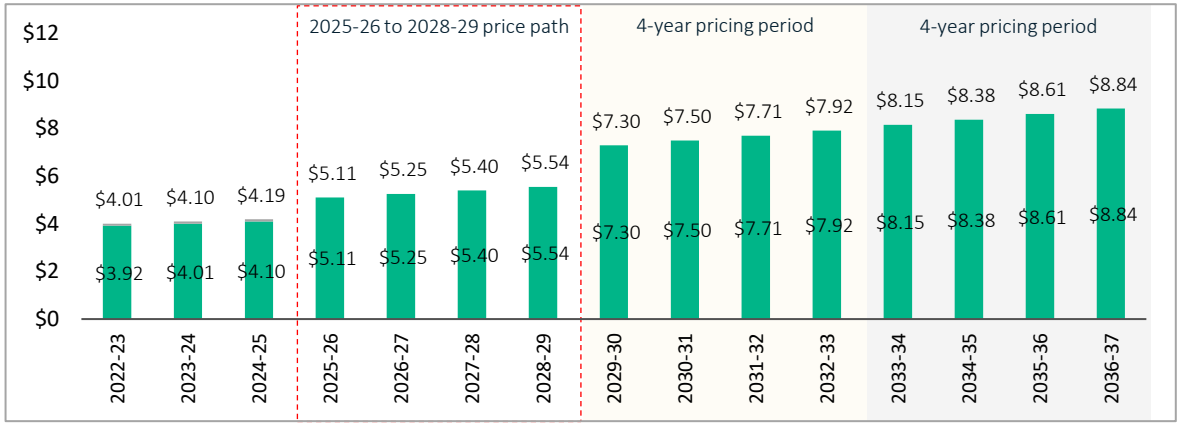
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Glady's Lagoon (other than natural yield)

Part A – Medium Priority — Annuity – Current state



Part A – Medium Priority — RAB – Future state



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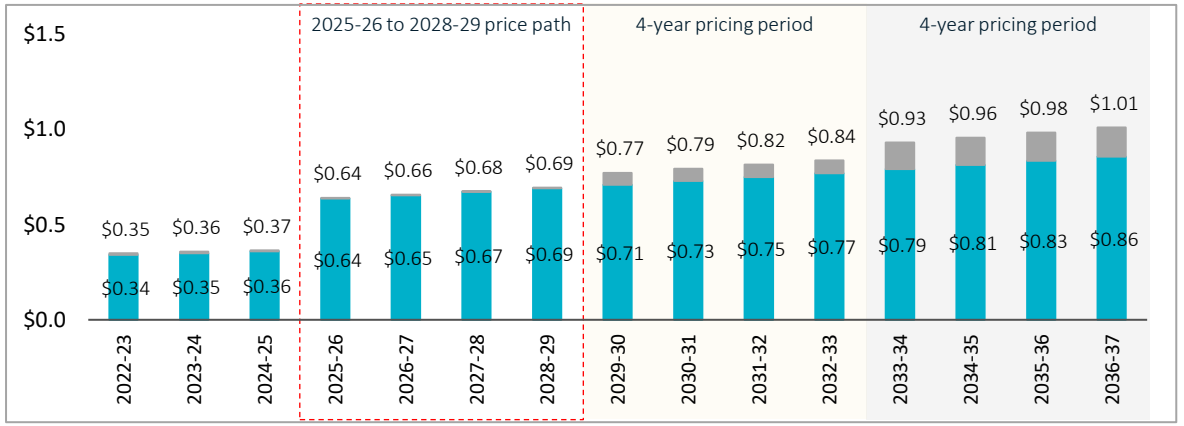
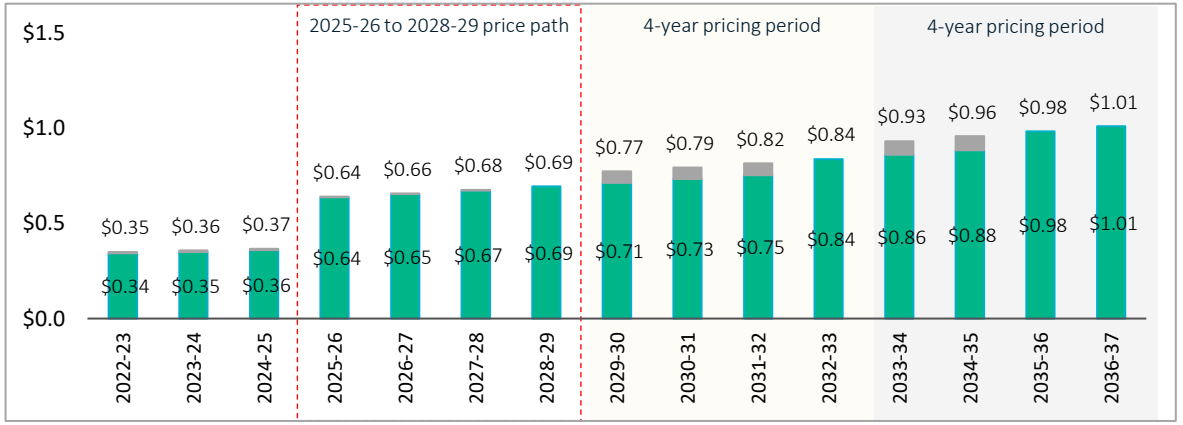


Part B — RAB – Future state



Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

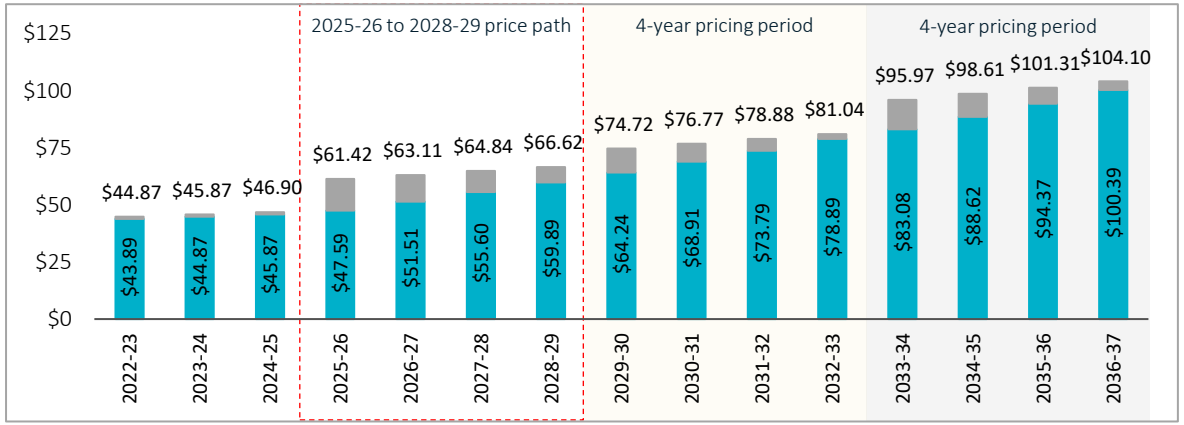
sunwater

The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

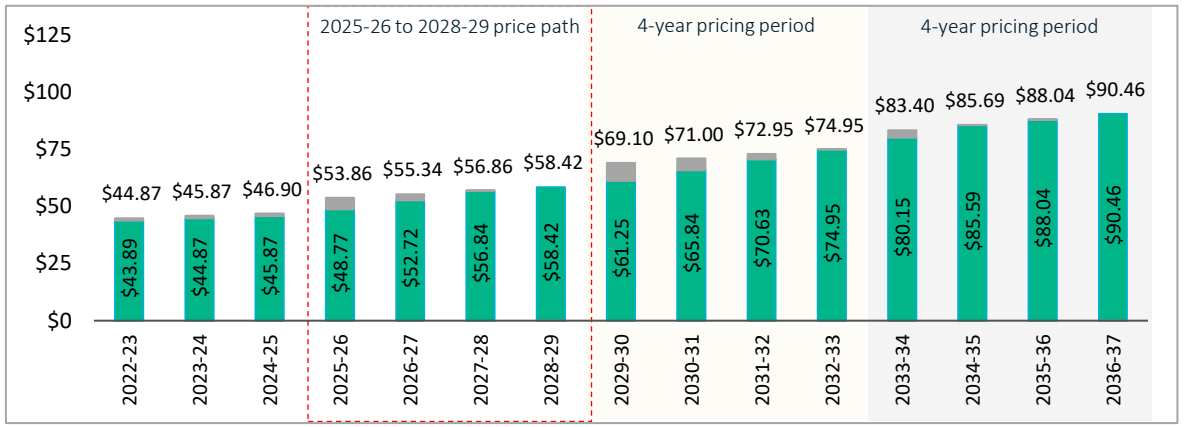
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Glady's Lagoon (other than natural yield)

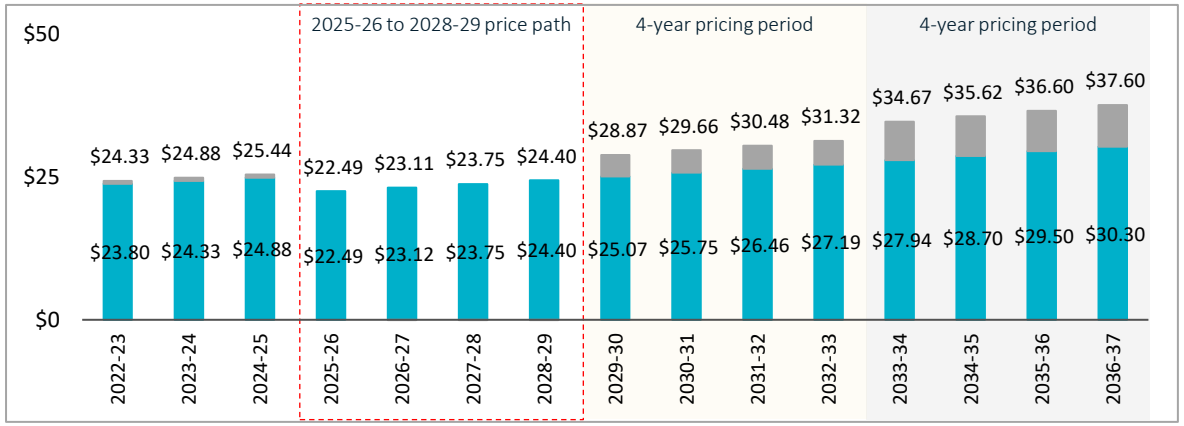
Part C – Annuity – Current state



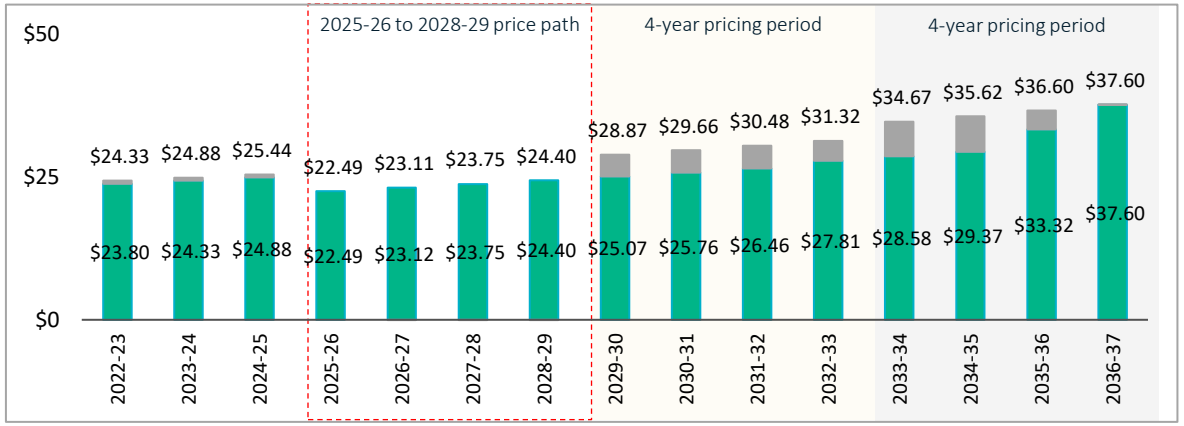
Part C – RAB – Future state



Part D – Annuity – Current state



Part D – RAB – Future state



Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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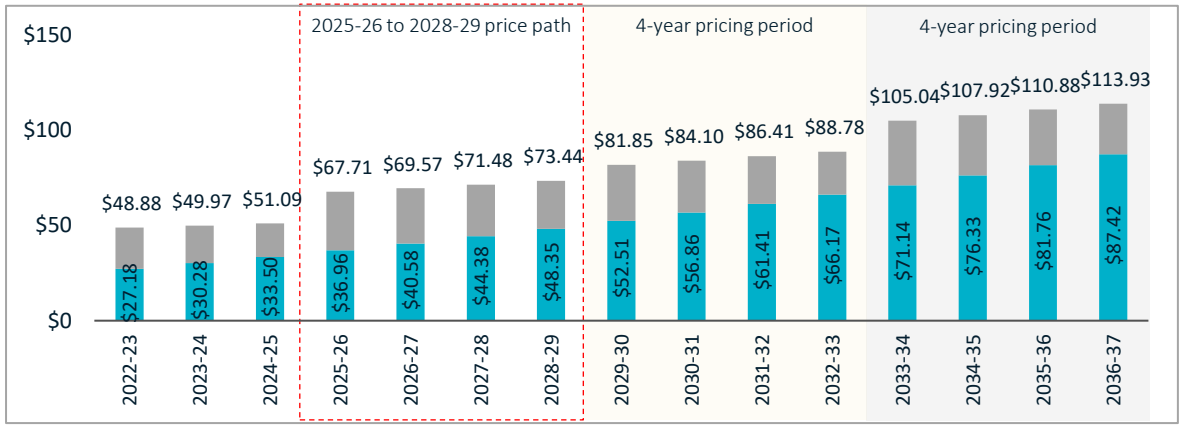
The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

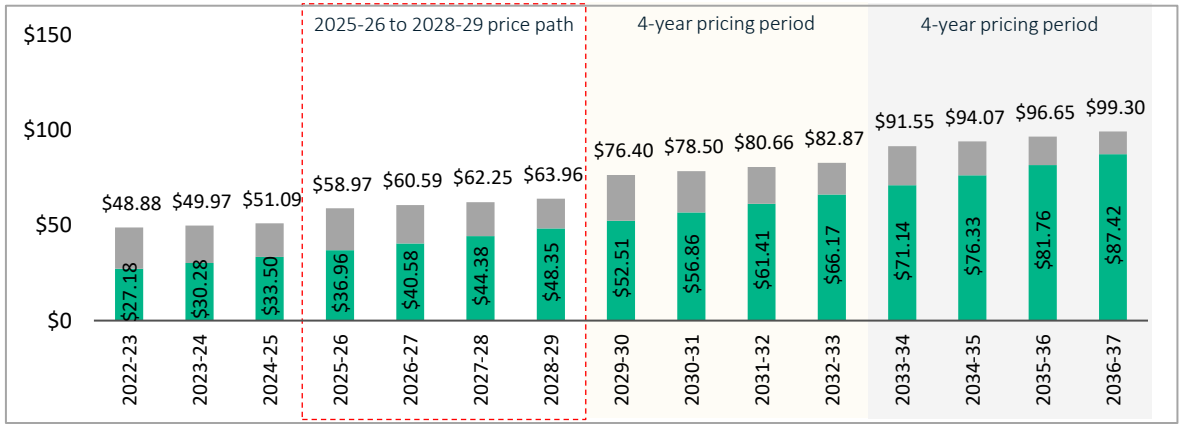
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Giru Groundwater

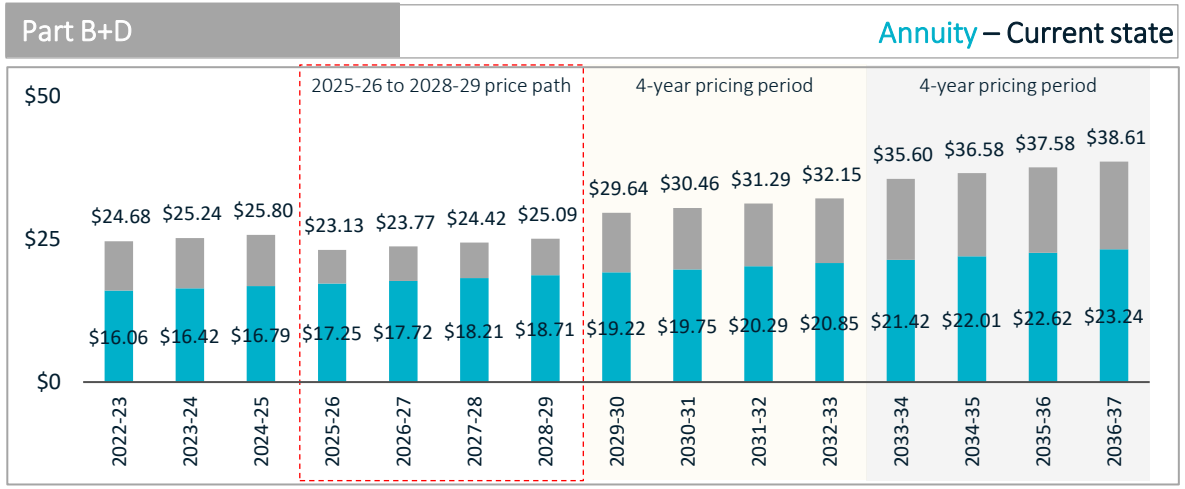
Part A+C – Medium Priority — Annuity – Current state



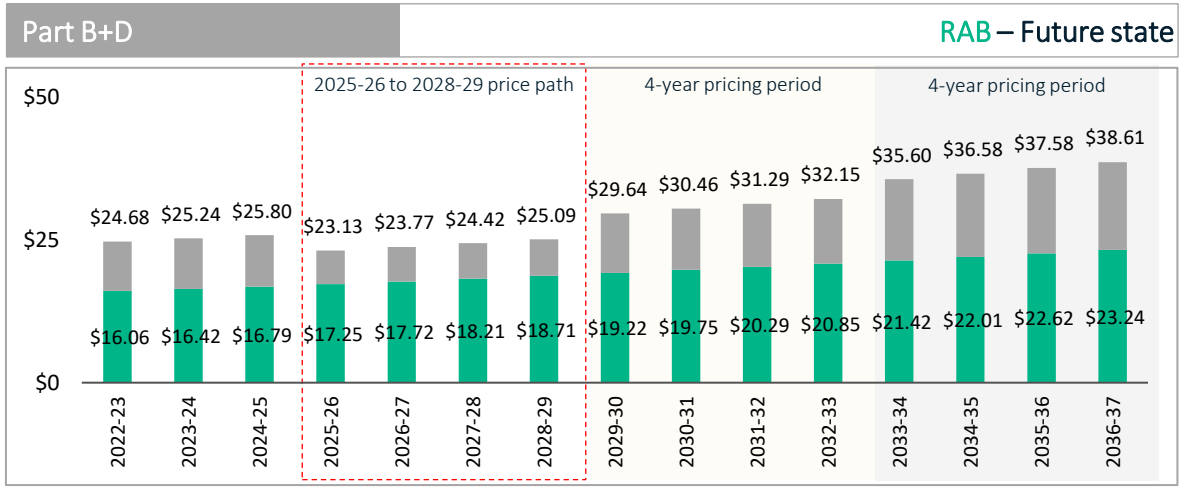
Part A+C – Medium Priority — RAB – Future state



Part B+D — Annuity – Current state



Part B+D — RAB – Future state



Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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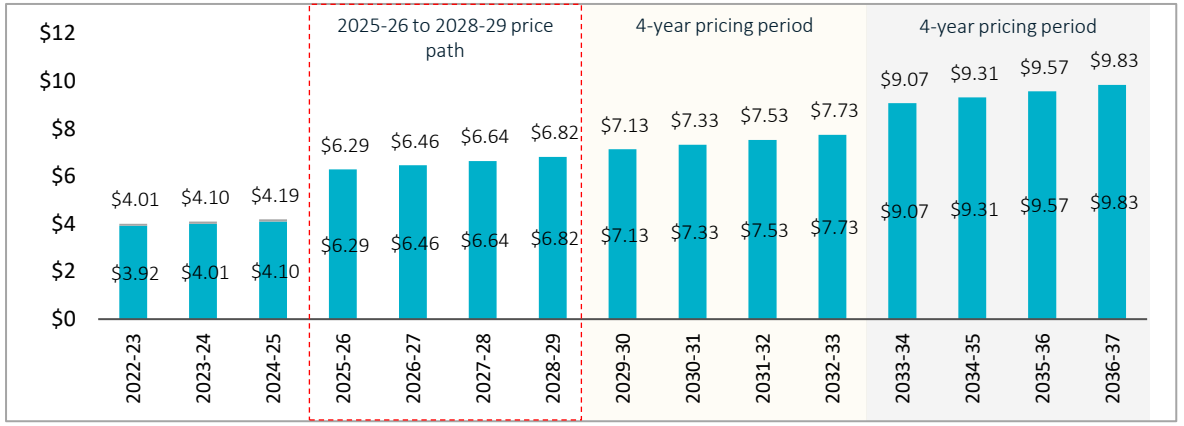
The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

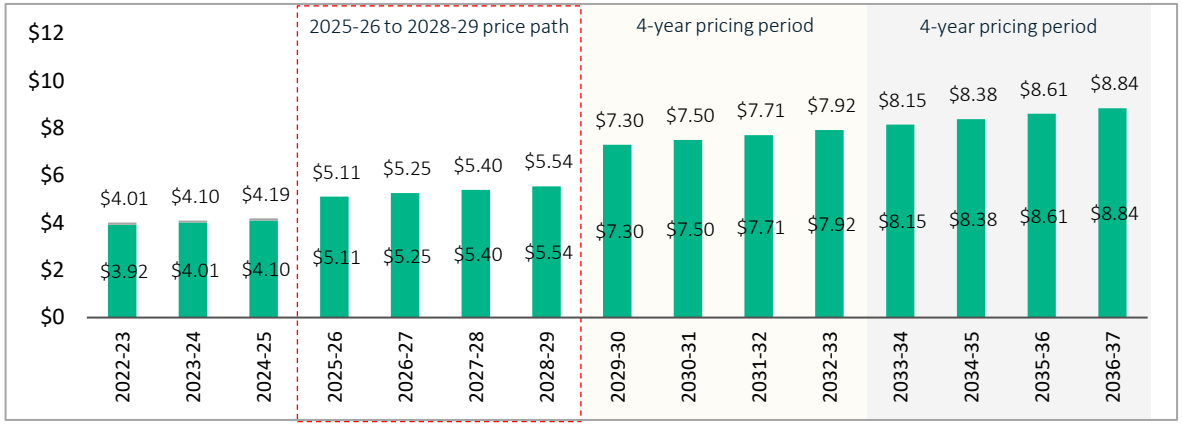
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Giru Groundwater

Part A – Medium Priority — Annuity – Current state



Part A – Medium Priority — RAB – Future state



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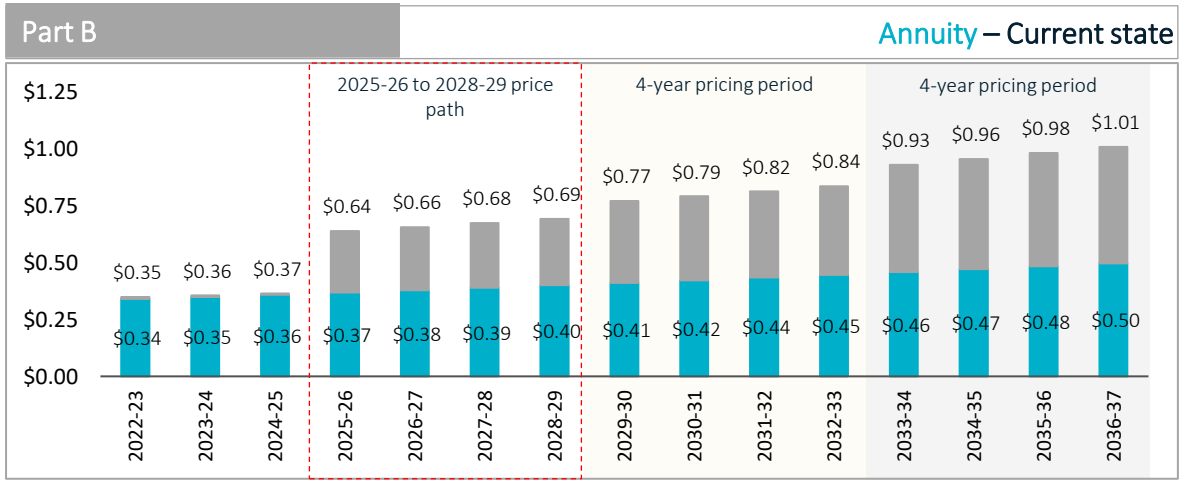
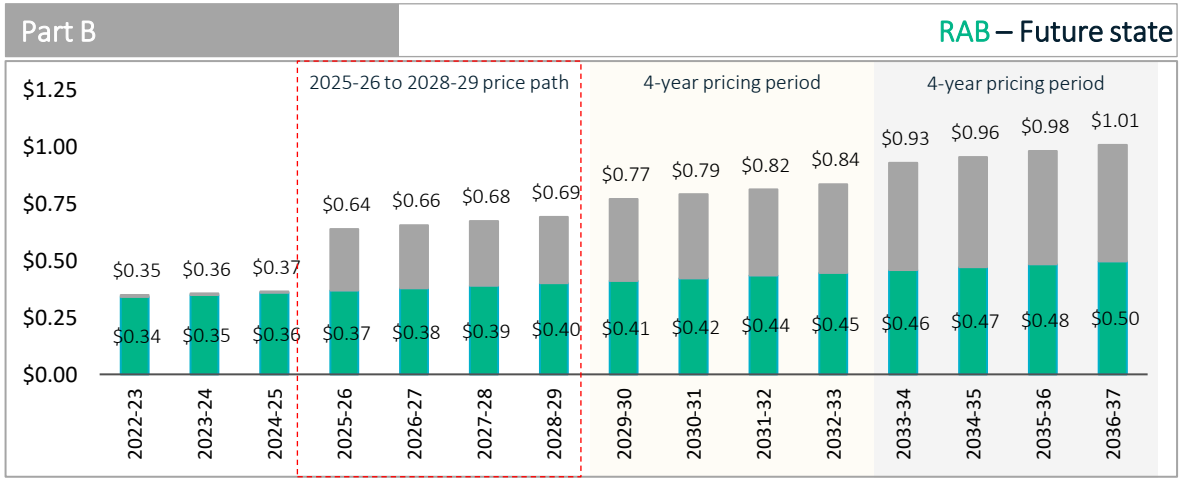


Part B — RAB – Future state



Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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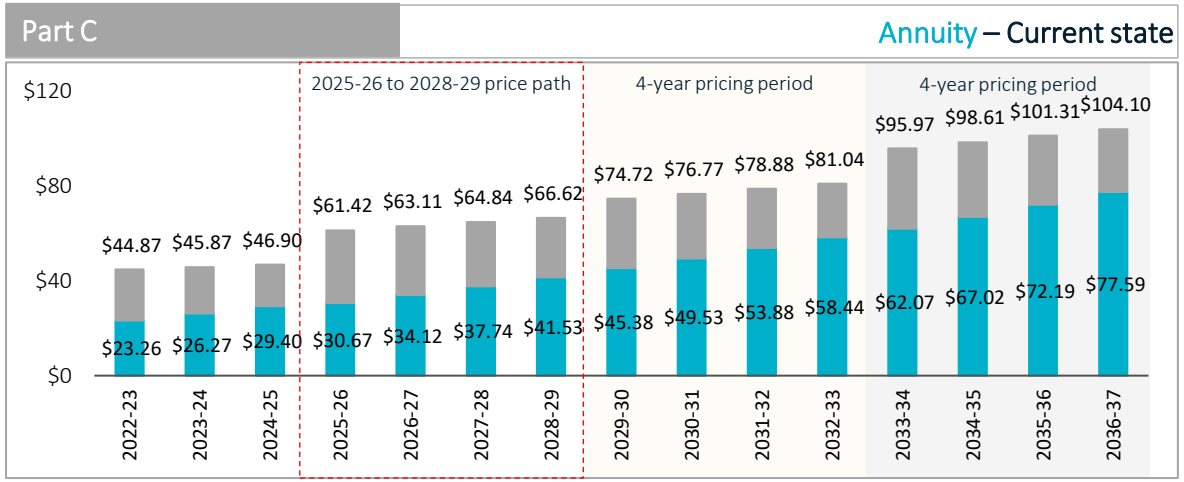
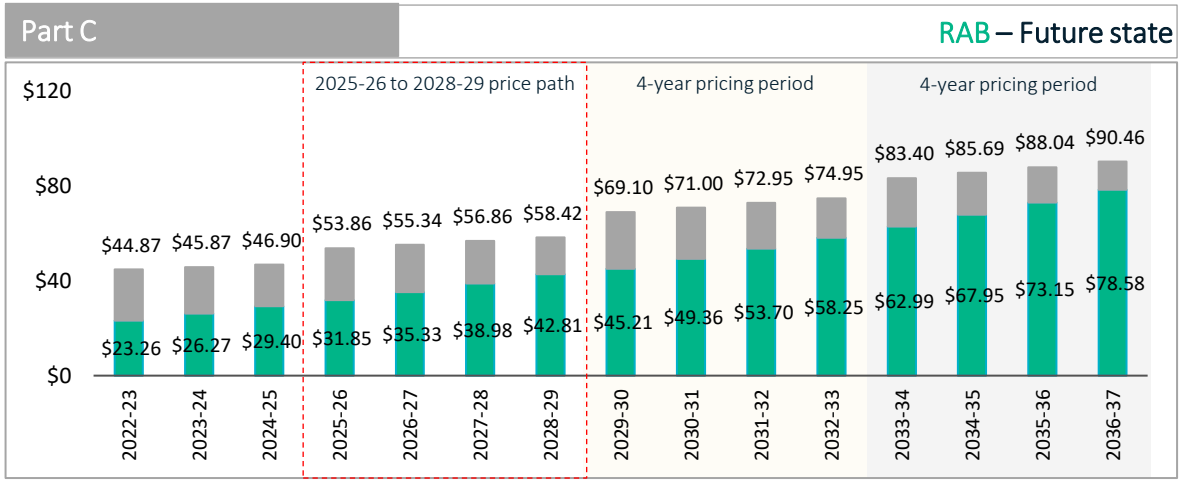
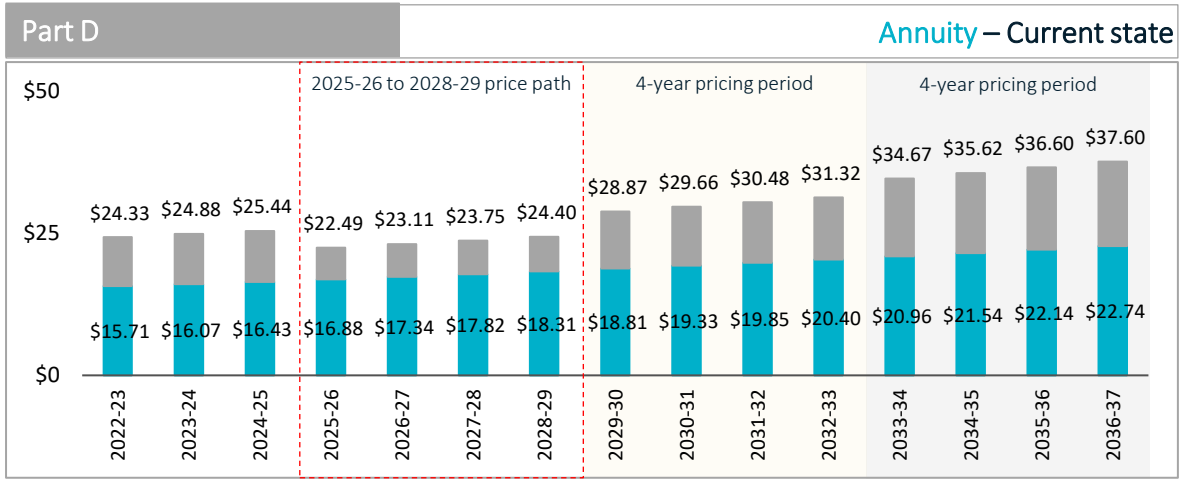
The overall price impact varies from scheme-to-scheme as a result of different expenditure profiles and starting balances

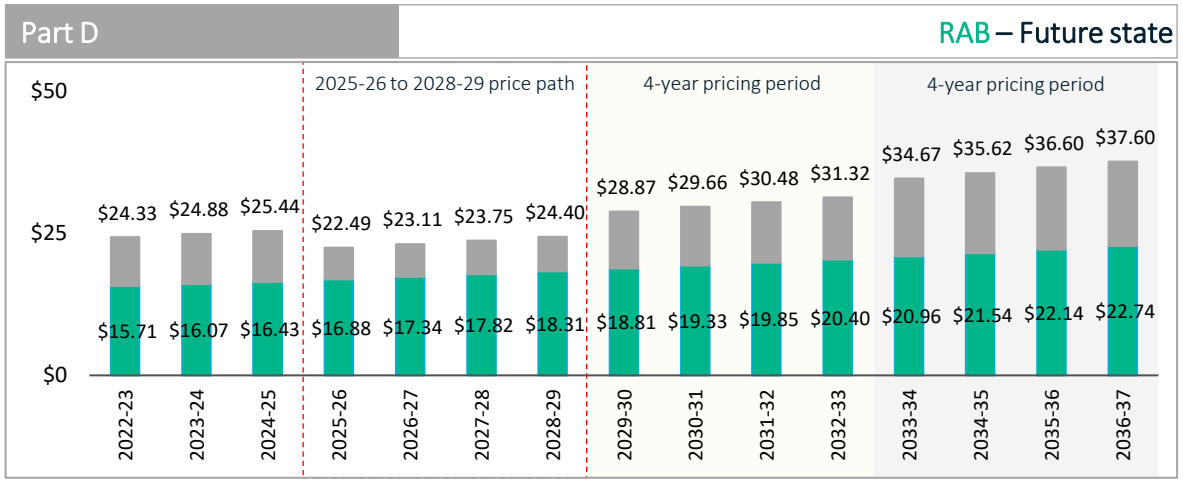
COMPARISON OF PRICES UNDER ANNUITY AND RAB APPROACHES

Tariff Group: Giru Groundwater









Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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S&PP refresh

What are Service and Performance Plans?

Service and performance plans (S&PPs) (formerly Network Service Plans)

- prepared annually for each irrigation service contract area
- are an important part of Sunwater's commitment to customers and stakeholders, ensuring that they are informed, and working closely with us to identify and work towards solutions that deliver real value
- detail a range of proposed immediate and long-term improvement projects and provide a detailed breakdown of anticipated costs
- compare our actual cost performance against cost targets recommended by the Queensland Competition Authority.

Website: Service and Performance Plans - Sunwater

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What is Sunwater's proposal?

Sections	Current content	Future treatment	Rationale
Contents	Table of contents	Unchanged	
At a glance	Our performance in 2020-21 Outlook for 2022-23	Our performance in 2020-21 Outlook for **2021-22**	An outlook for the current year is preferable
Introduction	Purpose, process and feedback	*Minor content changes*	
Delivering services to our customers	Customer numbers, entitlements, usage and prices Service targets and key infrastructure	*Minor content changes* Introduce known forward prices Bring forward Appendix 1	
Financial summary – revenue and expenditure	Total sunwater costs Service contract financial summary	Remove section	Information does not talk to performance and provides data for scheme financial performance that is highly susceptible to misinterpretation
Cost of delivering services - opex	Tabulated view of actuals v QCA target Revised Sunwater forecasts	Limit focus to current and prior irrigation pricing period only Improve explanation for deviation from QCA Explore change from table to chart	Revised purpose focuses on performance Revised forecasts do not impact prices until an irrigation price review
Cost of delivering services – annuity	Tabulated view of actuals v QCA target Revised Sunwater forecasts	Limit focus to current and prior irrigation pricing period only Improve explanation for deviation from QCA Explore change from table to chart Bring explanation forward from Appendix	Revised purpose focuses on performance Revised forecasts do not impact prices until an irrigation price review
Annuity balance	Roll-forward of annuity expenditure	Retain – replace with RAB roll-forward if methodology shift proposed and approved	
Appendices		Remove Appendix 2 altogether – explore ability to present a $1 breakdown of component costs	

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Permanent electricity cost pass-through mechanism

With illustrative examples

Bob Telford & Melissa Lascelles

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Permanent electricity cost pass-through proposal

- Sunwater is exploring a proposal to change the way electricity costs are recovered in up to seven schemes with high electricity usage/cost
- This is a DRAFT proposal only – we are not committed to making this change
- Customer feedback will be critical to our decision making on this proposal
- We are proposing this in response to customer support for, and participation in, a three-year electricity cost pass-through (ECPT) trial which commenced on 1 July 2020

How does this methodology differ from the trial?

In simple terms the trial methodology invoices customers the difference between QCA forecast electricity cost allowance and actual electricity costs. The proposed permanent pass-through methodology invoices customers the actual electricity cost incurred only.

The proposal differs in two significant ways:

1. Sunwater will introduce and set electricity-only charges each quarter (lagged) based on actual costs and volumes. This is materially different from the trial's price setting and pass-through approach where the QCA set prices for four years, with Sunwater conducting an annual "true-up" calculation and only passing-back revenue over-recovery in quarter 5.

2. The trial did not pass-through additional charges to customers where Sunwater's costs were above the level implied by the QCA's prices.

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Sunwater DRAFT proposal for consultation

Concept design for engagement

1 Fully symmetrical pass-through	• Changes in price impact both Sunwater and customers equally • If costs go down, so do prices, if costs go up, so do prices
2 Opt-in at scheme level – until next irrigation price path review	• Sunwater to assess level of support at customer level across each eligible scheme in August 2023 • Sunwater to confirm level of support as part of Stage 3 engagement and confirm whether or not scheme supports a pass-through.
3 All electricity costs in scope	• Current and future electricity costs in scope • Incremental Sunwater costs associated with pass-through methodology
4 Price setting / pass-through at regular intervals	• Pass-through of changes in price are implemented in a timely manner – either at the time prices are set (e.g., quarterly price setting) or after prices are set (e.g., annual true-up)
5 Agreed performance reporting with defined review pathways	• An agreed review mechanism with a potential trigger for review • Adverse findings would trigger asymmetric pass-through

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Scope of cost pass-through

1. Fully symmetrical pass-through
2. Opt-in at scheme level – until next irrigation price path review
3. **All electricity costs in scope**
4. Price setting / pass-through at regular intervals
5. Agreed performance reporting with defined review pathways

Cost Element	Definition
Network electricity cost components	The costs for provision of electricity distribution and transmission network services
Retail electricity cost components:	Wholesale electricity costs - the cost associated with the purchase of electricity.
	Retailer margin and operating costs –(e.g., operating call centres, billing systems and collecting revenue. earning a return)
	Renewable Energy Target Costs –purchase of small-scale and large-scale renewable energy certificates to cover
	AEMO Reliability and Emergency Reserve Trader (RERT) scheme charges—costs of maintaining power system reliability and security.
	AEMO National Electricity market fees and ancillary services charges – the costs of operating the NEM and to manage power system safety, security and reliability
Queensland climate action plan	Costs associated with meeting new / emerging obligations
Sunwater administrative costs	Additional costs associated with managing the pass-through mechanism (e.g., additional billing and pricing effort for quarterly price setting and billing)

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Explanation of electricity cost components

Charging parameter	Unit	Basis of charging parameter	What is the primary purpose of the charge element
Cost element is incurred regardless of the customer's actual water usage → *recommended for recovery on the basis of entitlements (ML WAEs)*			
Metering Service Charge	$/day	▪ This charge applies to each metering point associated with a specific connection point to the electricity network.	▪ Recovery of meter services charges cover all the capital and operating costs associated with installing and maintaining meters.
Fixed Charge (Distribution and Transmission)	$/day	▪ This charge applies to each connection point to the electricity network and is expressed on a fixed $ per day basis.	▪ Recovery of network access charges and recovery of a portion of retail fixed costs such as billing and call centre related costs
Connection Units Charge	$/unit/day	▪ This charge applies to high voltage connections to electricity distribution network under legacy arrangements	▪ As per the Capacity Charge (see below)
Capacity Charge	$/kVA/month	▪ This charge applies to high voltage connected sites and is predominantly dependent upon the fixed capacity rating of the pump.	▪ Recovery of fixed (sunk) network costs on the basis of the customer's expected capacity requirement at each connection point.
ECPT Administration costs (Sunwater cost)	$ per day	▪ Dependent upon the complexity of the pass-through mechanism and the frequency of invoicing.	▪ Recovery of *incremental* costs incurred by Sunwater to administer the pass-through mechanism, such as labour (e.g. billing team) costs.

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Explanation of electricity cost components

Charging parameter	Unit	Basis of charging parameter	What is the primary purpose of the charge element
Customer's decisions on the usage of water influence this cost –> *recommended for recovery on the basis of usage (ML used)*			
Demand Charge (Distribution and Transmission)	$/kW/month	▪ This charge applies to the maximum demand recorded in a half hour interval during the billing month.	▪ Pass-through the Long-run Marginal Cost (LRMC) of supplying network capacity during the peak period.
Anytime Energy Charge	c/kWh	▪ This charge applies to the energy consumption recorded during the billing month or quarter.	▪ Recovery of the retail cost of purchasing electricity and related costs.
Volume Charge (Distribution and Transmission)	c/kWh	▪ This charge applies to the energy consumption recorded during the billing month or quarter.	▪ Recovery of the distribution and transmission use of system cost of supplying capacity during the peak period.
Small-scale renewable energy scheme	c/kWh	▪ This cost-pass through is applied on a cents per kWh of energy consumed basis.	▪ This is scheme provides incentives to invest in small-scale renewable energy generation, which are paid for by Retailers purchasing small-scale generation certificates. Retailers pass-through these costs to their customers.
Large-scale renewable energy target (LRET)	c/kWh	▪ This cost-pass through is applied on a cents per kWh of energy consumed basis.	▪ Similar purpose to a small-scale renewable energy scheme.
Reliability and Emergency Reserve Trader (RERT)	c/kWh	▪ This cost-pass through is applied on a cents per kWh of energy consumed basis.	▪ This is a charge imposed by Australian Energy Market Operator (AEMO) to cover the costs of maintaining power system reliability and security.

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Price setting for current cost elements

Contestable Whole of Government (WoG) Tariffs

- All costs are mostly known until 31 December 2028, outside of Network Charges which are regulated and published annually, and the renewable power percentages (RRP) and small-scale technology percentages STP published annually.
- Other cost risks (increase/decrease) are:
  - forecast water demand / customer usage difference
  - Reliability and Emergency Reserve Trader (RERT) Events
  - Unaccounted For Energy losses (UFE)
  - price exposures from 1 January 2029.

Regulated Retail Tariffs

- Subject to QCA review on an annual basis.
- March 2023 Draft determination forecasts higher prices
  - generally variable tariffs for small customers (mums and dads, small businesses) are **up** about 35%, whilst large business are **up** between 13% (Tariff 44) and 26% (Tariff 20)

Price setting / pass-through process

1. Fully symmetrical pass-through
2. Opt-in at scheme level – until next irrigation price path review
3. All electricity costs in scope
4. **Price setting / pass-through at regular intervals**
5. Agreed performance reporting with defined review pathways

Electricity costs to be recovered via a $/ML WAE charge – *Possible Part E charge*

Contains cost elements known with a high degree of certainty given that retail electricity tariffs are published prior to commencement of financial year.

Step 1: Sunwater to calculate $/ML WAE charge

The fixed component includes:

- System Access Charges expressed on a $ per day basis
- Metering Charges expressed on a $ per day basis.
- Capacity charges, expressed on a S per KW or KVA per month basis.

The price could be set quarterly (with annual true up as required) or annually.

Step 2: Sunwater calculates the individual customer bill

Step 3: Sunwater adds Part E charge to customer invoice

Electricity costs to be recovered via a $/ML usage charge – *Possible Part F charge*

Contains highly variable components with a strong correlation to total kWh consumed and ML pumped.

Step 1: Sunwater to calculate $/ML usage charge

The variable component includes :

- Energy consumption charges
- Monthly demand charges.

The price could be set quarterly (with annual true up) or annually. Annual true-up likely to be required to account for billing and metering read errors and omissions.

Step 2: Sunwater calculates the individual customer bill

Step 3: Sunwater adds Part F charge to customer invoice

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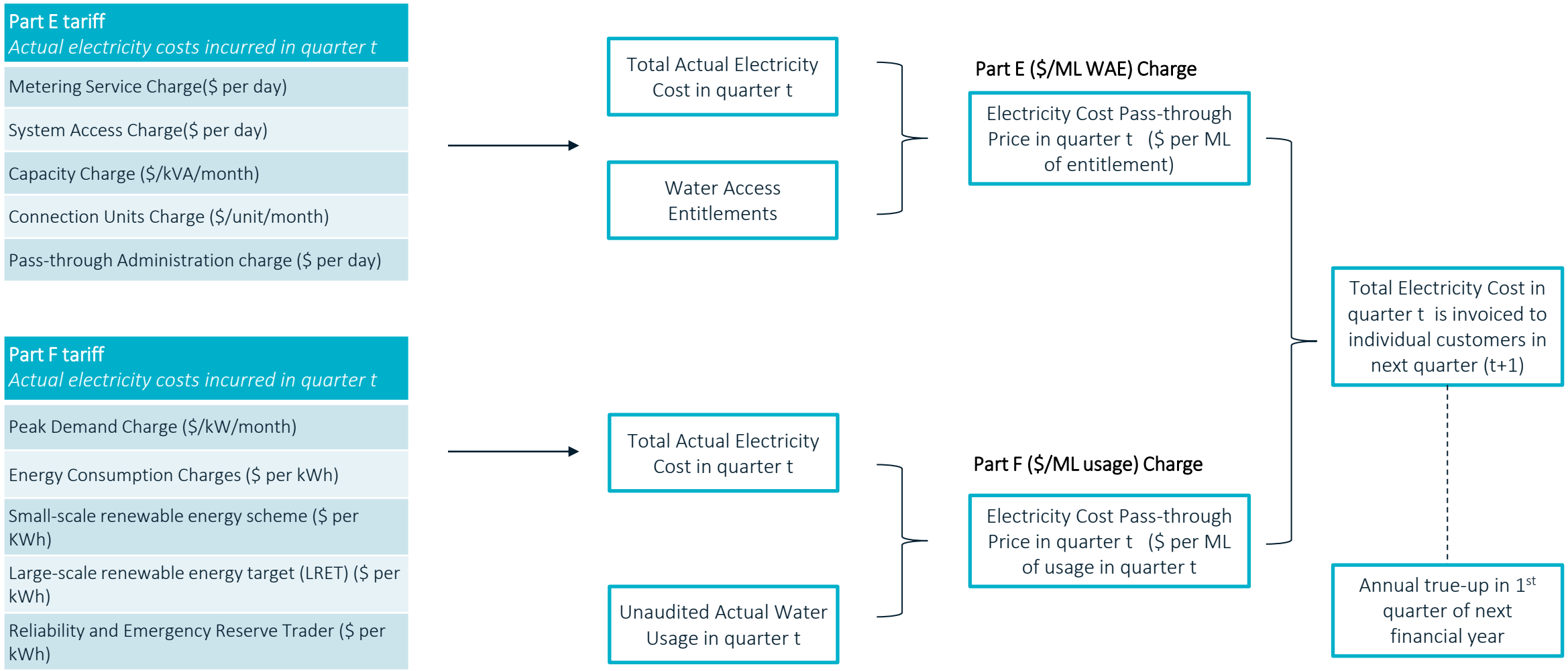
Price setting / pass-through process – Process Flow Chart



Note 1: The pass-through is proposed only to apply to pumping station sites.
Note 2: The pass-through amount under this methodology is the total electricity cost. This is different to the trial methodology where the pass-through amount is difference between the actual electricity cost and the QCA electricity cost allowance.

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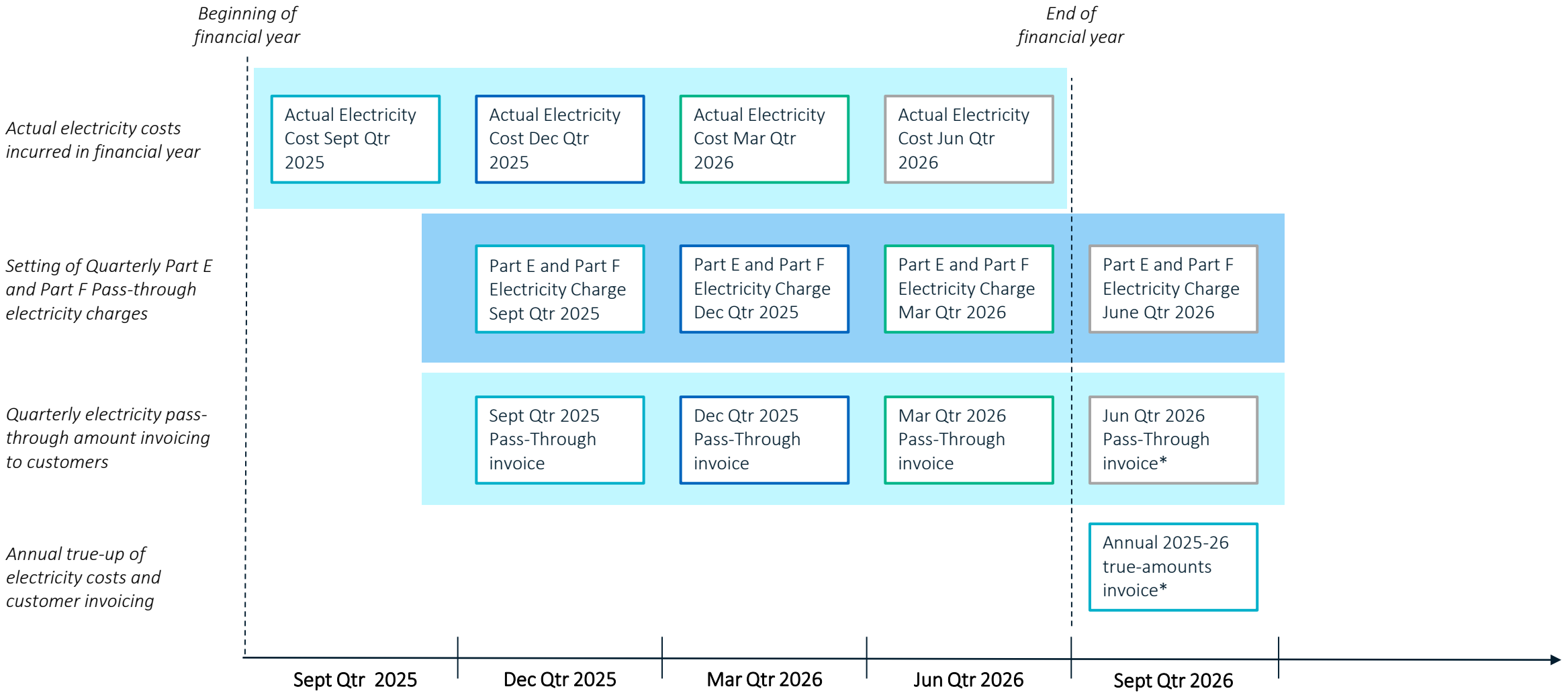
Price setting / pass-through process – Process Flow Chart (Continued)



* Final invoicing amount subject to reporting and review process

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Performance reporting with defined review pathways

1. Fully symmetrical pass-through
2. Opt-in at scheme level – until next irrigation price path review
3. Price setting / pass-through at regular intervals
4. All electricity costs in scope
5. **Agreed performance reporting with defined review pathways**

Annual performance reporting process

Step 1: Sunwater to report annually outlining:

i. the pass-through amount and true-up amount (if any) for the review year and the underlying calculations.
ii. a comparison of electricity prices with prior year prices
iii. an overview of Sunwater's tariff strategy and upcoming price changes relevant to selected tariffs
iv. a comparison of the annual water and electricity usage against previous years.
v. additional information as necessary to explain high usage or irregular water and electricity usage relationships.

A key requirement of a pass-through mechanism is that Sunwater demonstrates to the reasonable satisfaction of its customers that the actual electricity costs to be passed through are both efficient and prudent. To achieve this outcome, Sunwater will provide customers within reason with an understanding of its tariff optimisation approach and processes.

Step 2: Customer feedback

Customers to review the report and raise any concerns of inefficient or imprudent electricity usage or tariff selection

Step 3: Sunwater responds to customer concerns

Sunwater provides a response to any customer concerns. This response may include providing additional information.

Review pathway

Step 4: External review / dispute resolution

If customers are not satisfied that Sunwater's report / performance justifies the costs on efficiency and prudency grounds, then customers can initiate the review process (defined on the next slide).

Examples of matters that *may* trigger further work

1. New cost element; OR
2. Pumps operating outside efficiency band (across a minimum of four consecutive quarters) (not likely to be a suitable metric for all schemes); OR
3. Sunwater signs new electricity purchasing agreement

AND

Customers unsatisfied with Sunwater explanation / rationale

Suggested governance / management of customer concerns

1. Annually or at an interval agreed by IAC / CAC members, 2 x customer representatives to be elected by irrigators for the specific purpose of capturing, vetting and raising customer concerns with Sunwater

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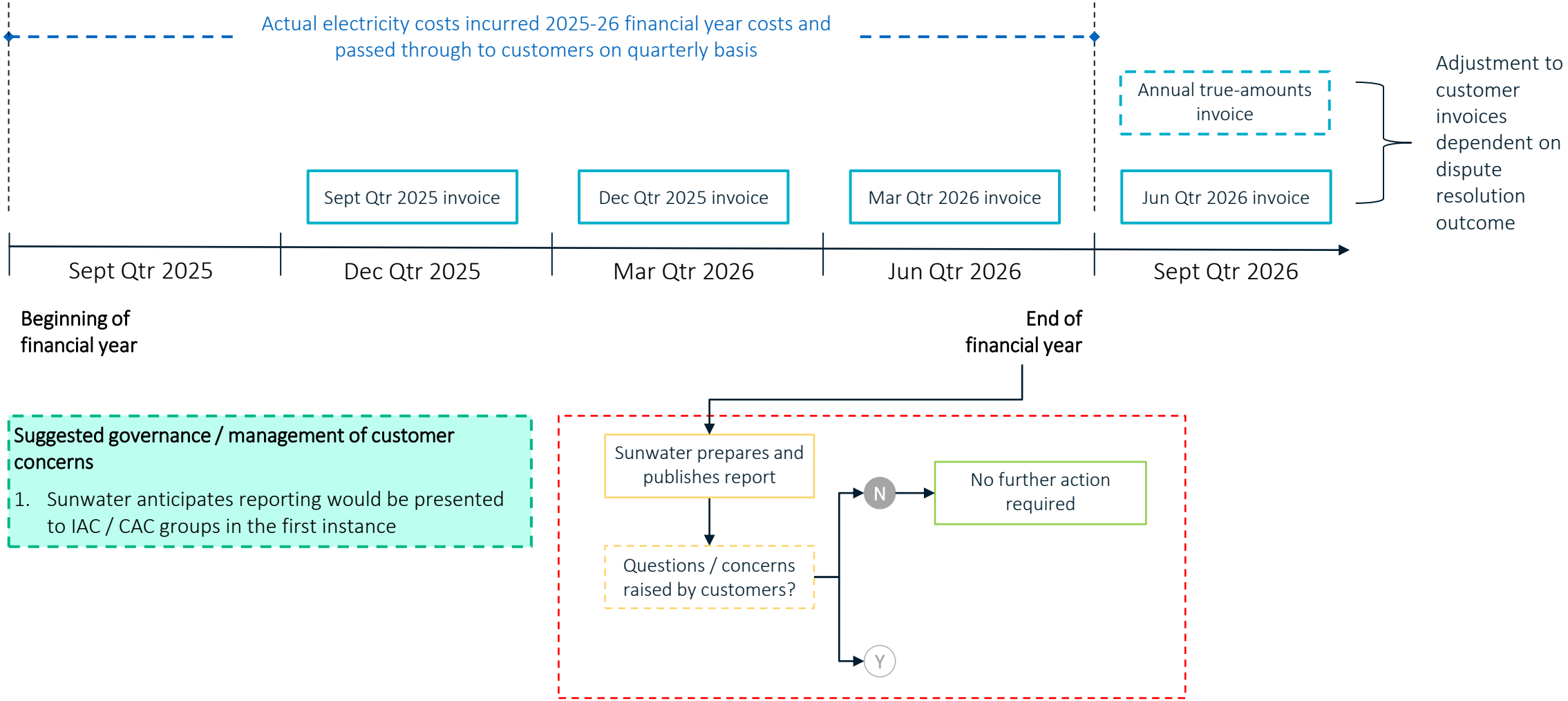
Review process – Scenario 1 – No customer concerns



Suggested governance / management of customer concerns

1. Sunwater anticipates reporting would be presented to IAC / CAC groups in the first instance

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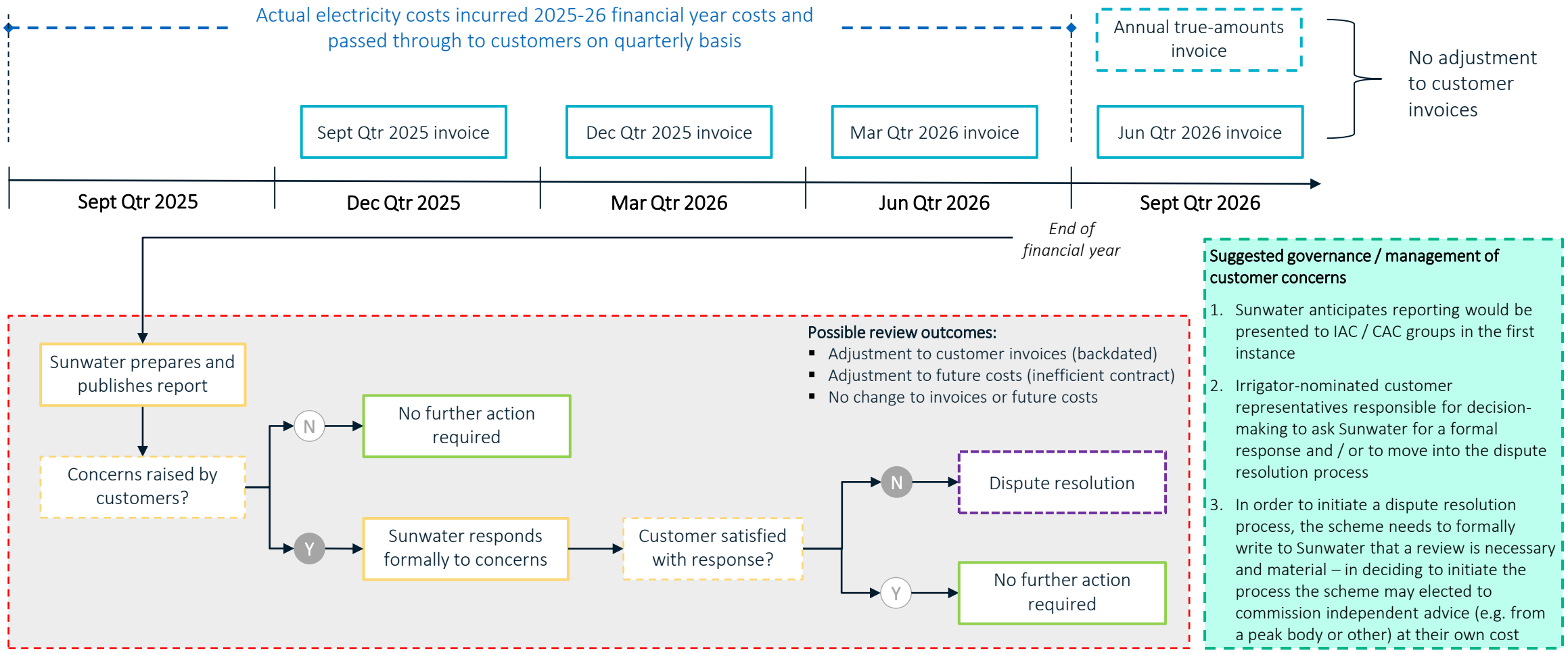
Review process – Scenario 2 – Customer concerns raised and resolved



Dispute resolution process

Dispute resolution process
a) If any dispute arises between the Parties to this Agreement the Parties will first attempt to resolve the dispute by **negotiation**. “Parties” to be defined as Sunwater and irrigator elected representatives (minimum of 2) of the scheme IACs or CACs
b) If the dispute is not resolved within 30 Business Days of the referral of the dispute to the Parties for negotiation, then either party may refer the dispute to **mediation**. Timeframes may be varied by agreement of the Parties.
c) If the dispute is not resolved within 30 Business Days of the mediation, then either party may refer the dispute to **arbitration**. Timeframes may be varied by agreement of the Parties.
d) Where a dispute under this Agreement is referred for mediation or arbitration, the mediator or arbitrator will be appointed by the parties.
e) The arbitrator shall be drawn from the following list: i. <List to be populated prior to mechanism coming into force, with entities or individuals to be appropriately qualified in mediation / negotiation and independent> *This list can be refreshed from time to time at the mutual agreement of Sunwater and the QFF.*
f) Sunwater’s costs associated with the negotiation, mediation and arbitration processes will be eligible for recovery through the electricity charges. Sunwater would bear the upfront costs associated with engaging a mediator / arbitrator. For clarity these costs will be eligible for recovery through the electricity charges
g) An arbitrated decision will be valid and binding on the Parties.

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Worked example

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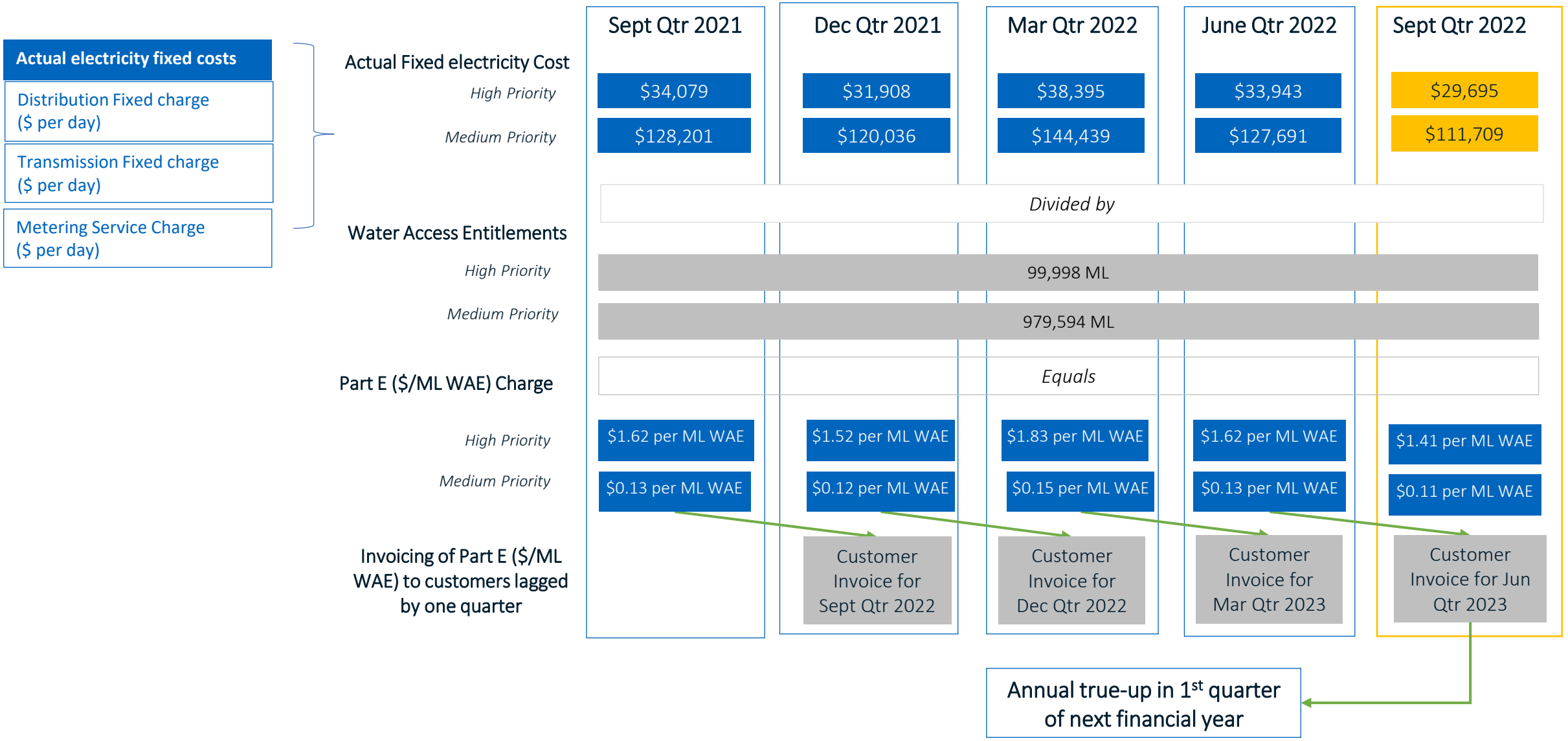
Electricity Cost Passthrough – Part E ($/ML WAE Charge) – Burdekin scheme



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Worked example – January 2023 invoice applied to Part E charge (generic example)

Usage Period	01-JAN-2023 to 31-JAN-2023
Bill Days	31
NMI	QGGG000012
Account Number	1001476
Invoice Number	T1076675

ELECTRICITY CHARGES

CHARGE	QUANTITY	RATE	TLF	DLF	AMOUNT (EX. GST)
RETAIL USAGE CHARGES					
Anytime Energy	"Anytime Energy Charges" cannot be shown for contractual reasons				$49,380.76
NETWORK CHARGES (EC22BT1)					
DUoS Connection Unit Charge	31 days	19.1550 $/day			$593.80
DUoS Fixed Charge	31 days	35.4460 $/Day			$1,098.83
Jurisdictional Scheme Fixed Charge	31 days	7.1020 $/Day			$220.16
TUoS Fixed Charge	31 days	93.0970 $/Day			$2,886.01
DUoS Volume Charge	962,510.20 kWh	0.0066 $/kWh			$6,342.94
Jurisdictional Scheme Volume Charge	962,510.20 kWh	0.0004 $/kWh			$365.75
TUoS Volume Charge	962,510.20 kWh	0.0088 $/kWh		1.03600	$8,784.98
DUoS Actual Demand Charge	4,270.20 kVA	4.1650 $/kVA/month			$17,785.38
DUoS Capacity Charge	4,680.00 kVA	4.1610 $/kVA/month			$19,473.48
TUoS Capacity Charge	4,680.00 kVA	0.7180 $/kVA/month			$3,360.24
ENVIRONMENTAL CHARGES					
LGC Charge	962,510.20 kWh	1.2158 c/KWh		1.03600	$12,123.48
STC Charge	962,510.20 kWh	1.2573 c/KWh		1.03600	$12,537.30
METERING AND OTHER CHARGES					
Metering Charge	31 days	2.2740 $/day			$70.49
FEES					
AEMO - Global Settlements					-$882.50
AEMO - Market Charge	962,510.20 kWh	0.0991 c/kWh		1.03600	$988.32
AEMO - Ancillary Services	962,510.20 kWh	0.0875 c/kWh		1.03600	$872.52
ADJUSTMENTS					
2022 LGC Reconciliation					-$2,015.68
2022 STC Reconciliation					-$6,124.86
AEMO Market Charge - Updated RERT & Directed Transactions (June & July 2022)					$234.96
Jul - Dec 2022 - Market Charges Rec (ASC)					-$59.81
OTHER FEES					
Admin Fee					$42.69
SUBTOTAL					$128,079.24
GST					$12,807.93
TOTAL (INC. GST)					$140,887.17

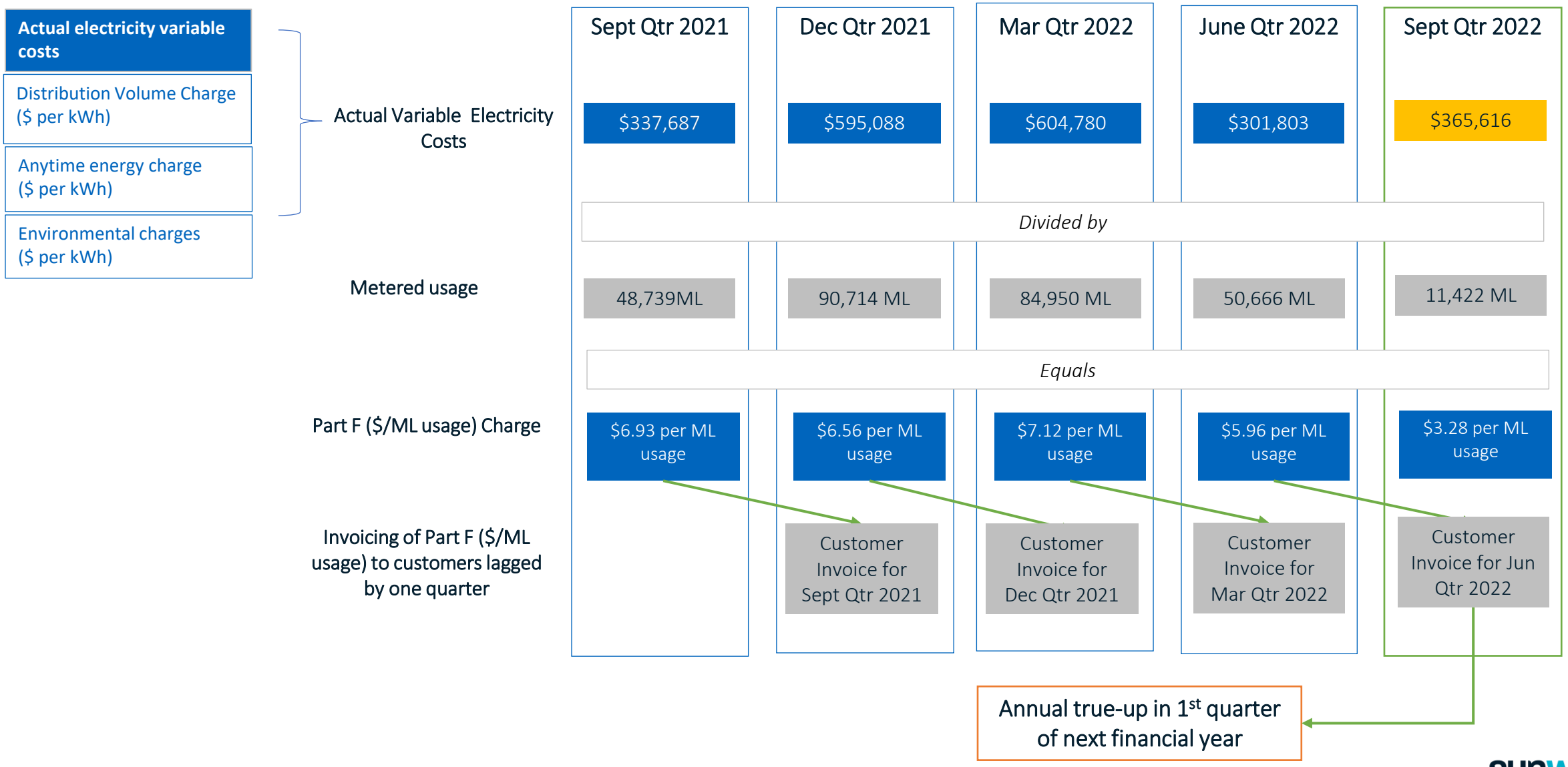
Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Network Fixed Charges	Jurisdictional Scheme Fixed Charge	$/Day	$7.10	31	$220
	DUoS Fixed Charge	$/Day	$35.45	31	$1,099
	TUoS Fixed Charge	$/Day	$93.10	31	$2,886

Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Network Capacity Charge	TUoS Capacity Charge	$/kVA/month	$7.18	4,680	$3,360
	DUOS Capacity Charge	$/kVA/month	$4.16	4,680	$19,473
	DUOS Connection Unit Charge	$/kVA/month	$19.16	31	$594

Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Retail Related Fixed Charge	Metering Charge	$/day	$2.27	31	$70

Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Other Retail Charges/adjustments	AEMO Global Settlements	$/month			-$1,214.83
	Other Fee - Admin	$/month			$42.69
	2022 LGC Reconciliation	$/month			-$2,015.68
	2022 LGC Reconciliation	$/month			-$6,124.86
	AEMO Market Charge - Update RERT & Direction Transaction	$/month			$234.96
	Jul-Dec 2022 - Market Charges	$/month			-$59.81

Electricity Cost Passthrough – Part F ($/ML usage) – Burdekin scheme



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Worked example – January 2023 invoice applied to Part F charge (generic example)

Usage Period	01-JAN-2023 to 31-JAN-2023
Bill Days	31
NMI	QGGG000012
Account Number	1001476
Invoice Number	T1076675

ELECTRICITY CHARGES

CHARGE	QUANTITY	RATE	TLF	DLF	AMOUNT (EX. GST)
RETAIL USAGE CHARGES					
Anytime Energy	"Anytime Energy Charges" cannot be shown for contractual reasons				$49,380.76
NETWORK CHARGES (EC22BT1)					
DUOS Connection Unit Charge	31 days	19.1550 $/day			$593.80
DUoS Fixed Charge	31 days	35.4460 $/Day			$1,098.83
Jurisdictional Scheme Fixed Charge	31 days	7.1020 $/Day			$220.16
TUoS Fixed Charge	31 days	93.0970 $/Day			$2,886.01
DUoS Volume Charge	962,510.20 kWh	0.0066 $/kWh			$6,342.94
Jurisdictional Scheme Volume Charge	962,510.20 kWh	0.0004 $/kWh			$365.75
TUoS Volume Charge	962,510.20 kWh	0.0088 $/kWh		1.03600	$8,784.98
DUoS Actual Demand Charge	4,270.20 kVA	4.1650 $/kVA/month			$17,785.38
DUoS Capacity Charge	4,680.00 kVA	4.1610 $/kVA/month			$19,473.48
TUoS Capacity Charge	4,680.00 kVA	0.7180 $/kVA/month			$3,360.24
ENVIRONMENTAL CHARGES					
LGC Charge	962,510.20 kWh	1.2158 c/KWh		1.03600	$12,123.48
STC Charge	962,510.20 kWh	1.2573 c/KWh		1.03600	$12,537.30
METERING AND OTHER CHARGES					
Metering Charge	31 days	2.2740 $/day			$70.49
FEES					
AEMO - Global Settlements					-$882.50
AEMO - Market Charge	962,510.20 kWh	0.0991 c/kWh		1.03600	$988.32
AEMO - Ancillary Services	962,510.20 kWh	0.0875 c/kWh		1.03600	$872.52
ADJUSTMENTS					
2022 LGC Reconciliation					-$2,015.68
2022 STC Reconciliation					-$6,124.86
AEMO Market Charge - Updated RERT & Directed Transactions (June & July 2022)					$234.96
Jul - Dec 2022 - Market Charges Rec (ASC)					-$59.81
OTHER FEES					
Admin Fee					$42.69
SUBTOTAL					$128,079.24
GST					$12,807.93
TOTAL (INC. GST)					$140,887.17

Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Retail Usage Charge	Anytime Energy	c/kWh	CONFIDENTIAL		$49,381

Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Network volume Charge	Jurisdictional Scheme Volume Charge	$/kWh	$0.004	962,510	$366
	DUoS Volume Charge	$/kWh	$0.007	962,510	$6,343
	TUoS Volume Charge	$/kWh	$0.009	962,510	$8,785

Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost(Excl.GST)
Retail Related Volume Charge	Environmental Charge - STC Charge	c/kWh	$1.216	962,510	$12,123
	Environmental Charges - LGC Charge	c/kWh	$1.257	962,510	$12,537

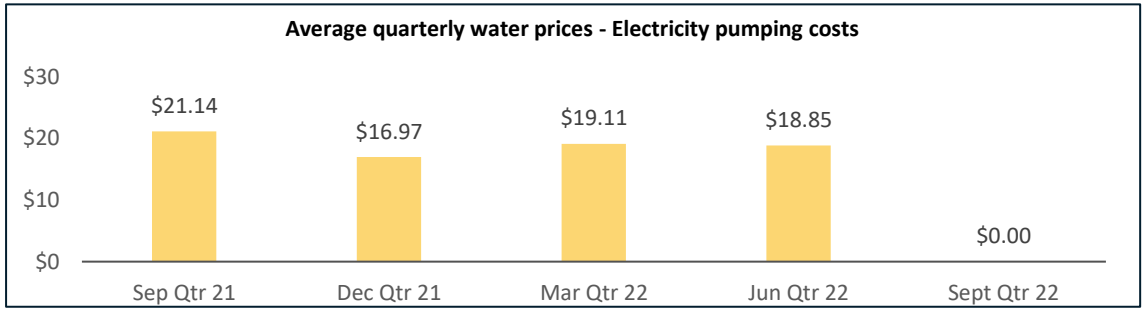
Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Retail Related Volume Charge	AEMO - Market Charge	c/kWh	$0.099	962,510	$988
	AEMO - Ancillary Services	c/kWh	$0.020	962,510	$873

Tariff category	Charging parameter	Unit	Price (Exc.GST)	Chargeable quantity	Cost (Excl.GST)
Other Retail Charges/adjustments	AEMO Global Settlements	$/month			$883
	Other Fee - Admin	$/month			$43
	2022 LGC Reconciliation	$/month			-$2,016
	2022 LGC Reconciliation	$/month			-$6,125
	AEMO Market Charge - Update RERT & Direction Transaction	$/month			$235
	Jul-Dec 2022 - Market Charges	$/month			-$60

Average water prices under different pass-through scenarios – Burdekin scheme in FY 21-22

No pass-through mechanism

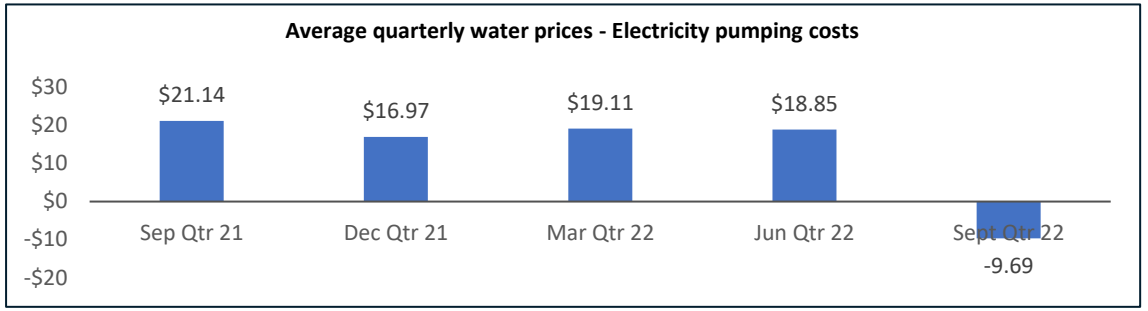
Under this scenario, QCA determines a forecast electricity allowance that is incorporated in water prices paid by Irrigators. Customers paid the QCA electricity cost allowance in 2021-22 financial year, adjusted for actual water usage.



Trial pass-through mechanism

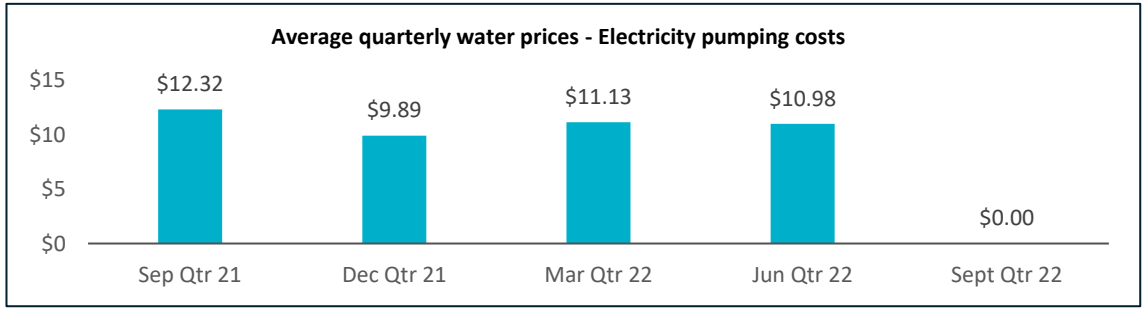
Customers contribute to the electricity costs in the same way as the no pass-through scenario.

The difference is that customers under this example receive an annual true-up charge in September quarter of 2022. This true-up amount is paid to customers
because the actual electricity costs incurred by Sunwater in 2021-22 financial year were less than the QCA fixed electricity cost allowance.



Proposed straight pass-through mechanism (lagged) – Part E and Part F charges combined in this example

Sunwater calculates electricity charges each quarter in accordance with
an approved methodology. Customers pay the actual electricity cost incurred by Sunwater in each quarter in 2021-22 financial year based on the retail electricity invoices received by Sunwater. Customers paid less than the no pass-through scenario in 2021-22 as actual electricity costs were less than QCA electricity cost allowance.



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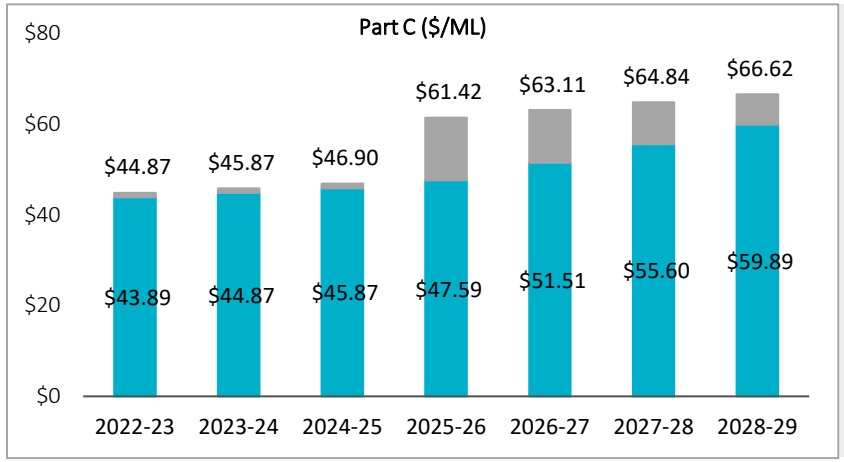
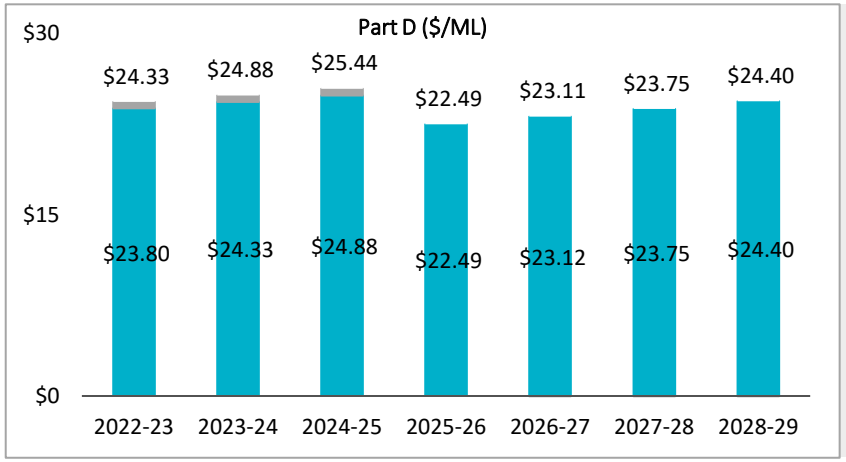
Draft prices under no pass-through and pass-through scenarios

Tariff Group: Burdekin Channel & Glady's Lagoon

DRAFT FORECAST PRICES

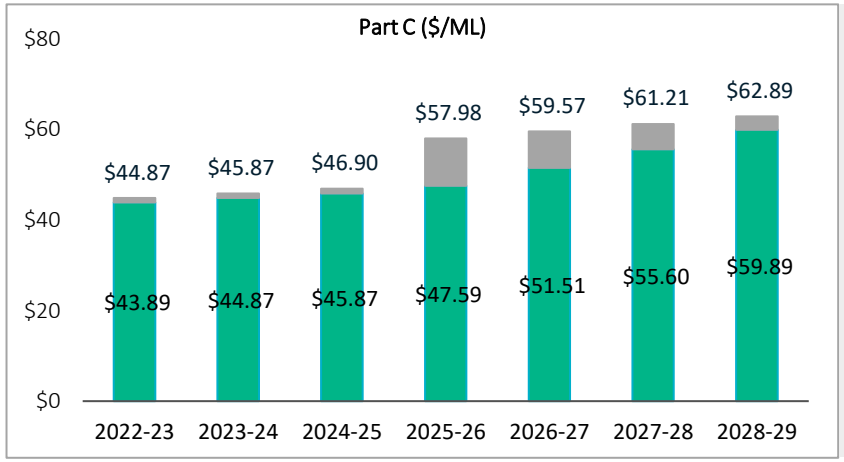


- Price recovers all Sunwater costs, including an allowance for electricity costs

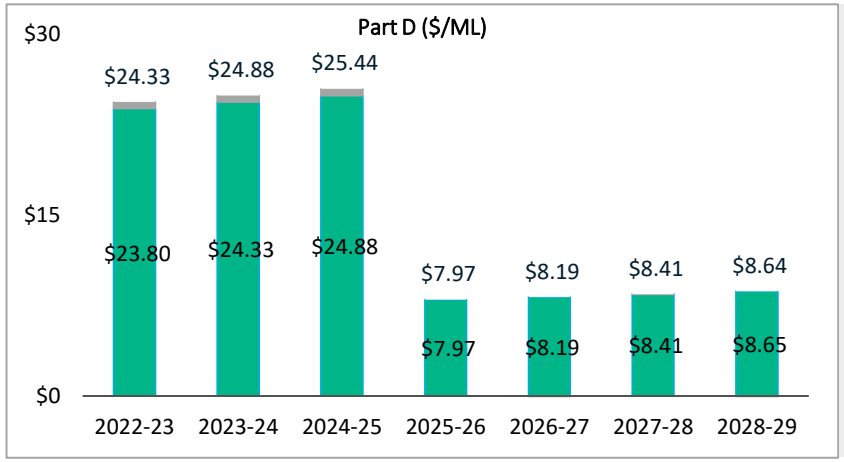


- Price recovers all Sunwater costs, including an allowance for electricity costs
- Note that 100% of electricity costs are allocated to the Part A charge under the current methodology – there is no electricity cost recovery via the Part B charge

DRAFT FORECAST PRICES UNDER PASS-THROUGH METHODOLOGY



- Price recovers all Sunwater costs, **excluding** an allowance for electricity costs
- **PLUS** a Part E charge(not shown) calculated quarterly in arrears and charged on the basis of water access entitlements held



- Price recovers all Sunwater costs, **excluding** an allowance for electricity costs
- **PLUS** a Part F charge(not shown) calculated quarterly in arrears and charged on the basis of water usage during the relevant quarter

Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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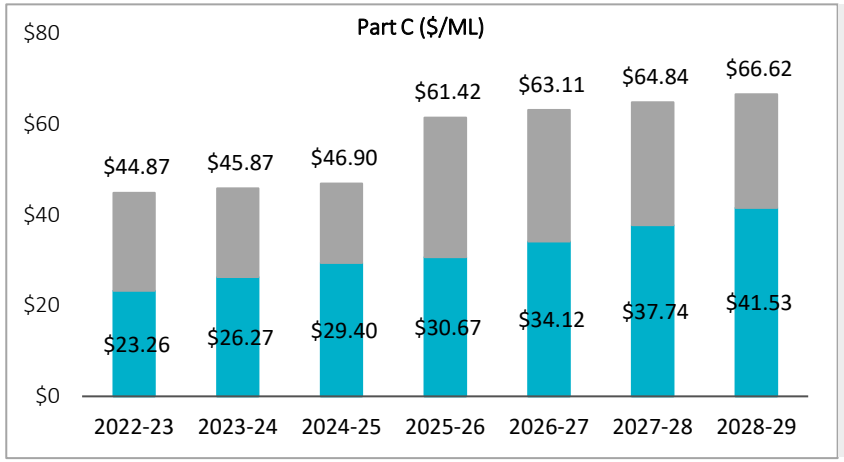
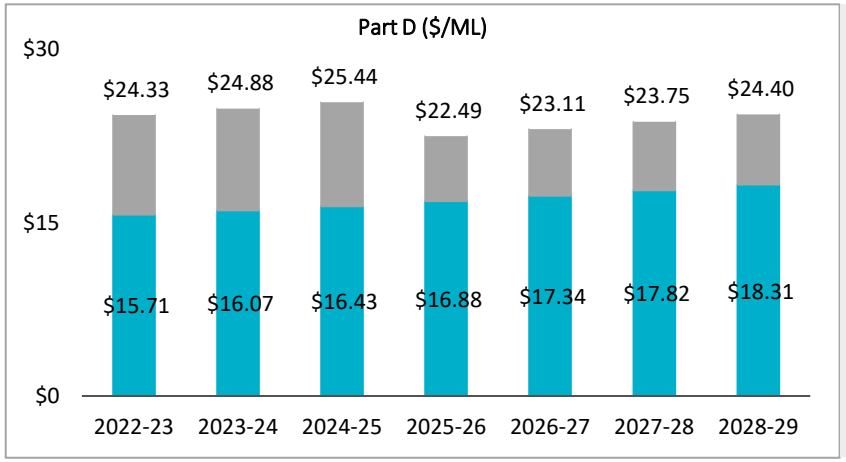
Draft prices under no pass-through and pass-through scenarios

Tariff Group: Giru Groundwater

DRAFT FORECAST PRICES

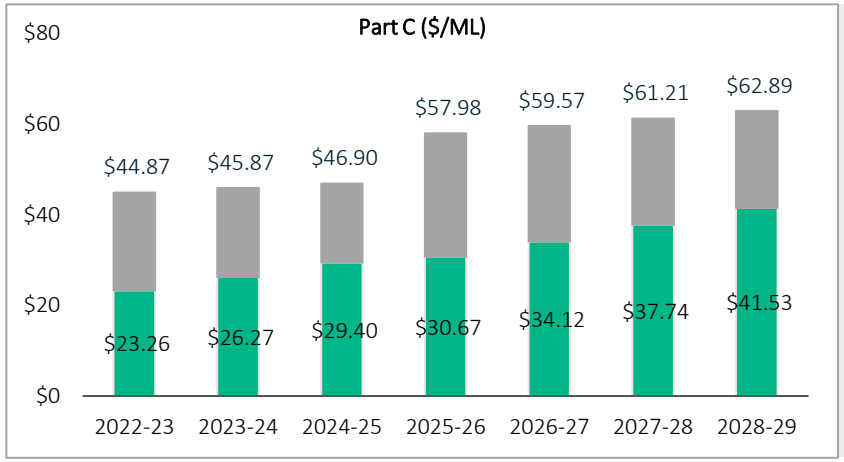


- Price recovers all Sunwater costs, including an allowance for electricity costs

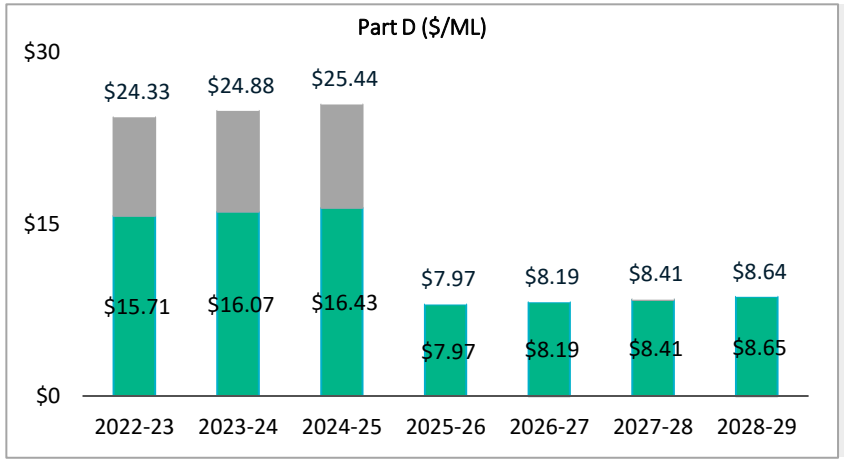


- Price recovers all Sunwater costs, including an allowance for electricity costs
- Note that 100% of electricity costs are allocated to the Part A charge under the current methodology – there is no electricity cost recovery via the Part B charge

DRAFT FORECAST PRICES UNDER PASS-THROUGH METHODOLOGY



- Price recovers all Sunwater costs, **excluding** an allowance for electricity costs
- **PLUS** a Part E charge(not shown) calculated quarterly in arrears and charged on the basis of water access entitlements held



- Price recovers all Sunwater costs, **excluding** an allowance for electricity costs
- **PLUS** a Part F charge(not shown) calculated quarterly in arrears and charged on the basis of water usage during the relevant quarter

Recommended irrigation prices

Transition discount – difference between cost reflective lower bound prices and recommended irrigation prices

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Next steps

Sunwater is actively seeking the views of customers

Online process for feedback on proposals

- Open for one week in early August (TBC)
- Email/SMS/post options
- Secure, fit-for-purpose platform with de-identified reporting

General feedback at any time

pricepath@sunwater.com.au

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Close