

Maranoa River Water Supply Scheme

Scheme Summary

Irrigation pricing proposal

1 July 2025 to 30 June 2029

Context

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

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

The Maranoa scheme's Neil Turner Weir is prone to sand and siltation accumulation, which reduces the full supply volume significantly and impacts greatly on the reliability of water access. Consequently, in 2013, following engagement with the scheme's four customers, DERM, DEWS and DNRM, the decision was made to suspend issuing water invoices to the customers in this scheme.

This practice is expected to continue for the foreseeable future.

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

- proposed prices and their basis
- engagement with customers, their feedback and how it was addressed
- operating and renewals expenditure forecasts
- the overall revenue requirement.

Entitlements and usage

Maranoa holds total water access entitlements (WAE) of 805ML (**Figure 1**). Four irrigation customers hold 800ML in entitlements in the scheme.

Long-term (20-year) average annual usage in the scheme is 23ML per annum. This is equivalent to 2.8 per cent of total WAE, down from 3.3 per cent at the time of the last irrigation pricing review.

Tariff groups

Maranoa has one irrigation tariff group.

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



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

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

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

Proposal in summary

Maranoa’s four customers (all of whom are irrigation customers) were contacted by email (refer **Appendix**) at the commencement of the pricing proposal development process to:

- confirm that Sunwater’s approach to invoicing in the scheme is unlikely to change in the foreseeable future
- ensure customers were aware of the irrigation pricing review process.

Customers did not express a desire to be kept informed of the proposal development process given that it had no impact on their level of service or invoicing arrangements.

This scheme summary has been provided for completeness.

During the proposal development process, Sunwater engaged with irrigation customers in other schemes to outline proposed operating costs and renewals expenditure required to deliver irrigation services over the next price path period; required revenue and price calculations; as well as a potential cost recovery change with implications for customer prices.

Balancing what we heard from customers with the benefits and risks of these changes, we propose to recover renewals expenditure via a regulated asset base (RAB) methodology.

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

Proposed prices by tariff group

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

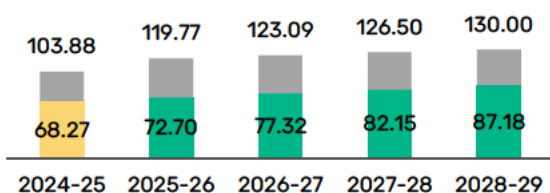
Prices reflect a RAB methodology.

Legend:

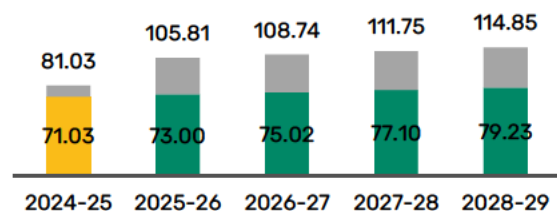
- / ■ Irrigation price (gazetted)
- / ■ Recommended irrigation price (proposed)
- / ■ Cost reflective irrigation price (proposed)

Maranoa River

Part A - Medium Priority (\$/ML)



Part B (\$/ML)



Engagement

Sunwater contacted all Maranoa irrigation customers at the start of the pricing proposal development process.

How we engaged

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

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

We ensured every irrigation customer who wanted to engage could do so.

What we heard

As stated above, Sunwater’s engagement with Maranoa customers was limited to the commencement of the proposal development process due to the current status of their irrigation service.

The discussion that follows is based on engagement with other schemes.

Based on discussions with all irrigation customers during our scheme-based and online meetings (**Table 1**), Sunwater has provided additional information on renewals expenditure in our Stage 3 engagement material on future costs for each scheme (depicted by cost spikes in the renewals forecast).

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

GoVote

Maranoa customers were not included in the GoVote process.

For a full explanation of the GoVote process and how Sunwater used this information to finalise its proposal, refer to the Customer Engagement chapter of Sunwater’s pricing submission.

Table 1 Key customer interests

Forum details	Attendees	Key customer interests
Stage 1 engagement		
<i>Forum:</i> Teams webinar, <u>all schemes</u> invited <i>Theme:</i> Learn how irrigation prices are set and how you can be involved in influencing Sunwater’s pricing submission to the QCA	12	How prices are set - general
Stage 2 engagement		
<i>Forum:</i> Teams webinar, <u>all schemes</u> invited <i>Theme:</i> Draft future prices and proposals for customer feedback	15	Community Service Obligation
Stage 3 engagement		
<i>Forum:</i> Teams webinar, <u>all schemes</u> invited <i>Theme:</i> Outline Sunwater’s pricing proposal, having taken into account customer feedback and preferences	7	RAB v annuity

Proposal to change the method of renewal cost recovery

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

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

Proposal to refresh Service and Performance plans

Sunwater does not publish an annual Service and Performance Plan for the Maranoa scheme.

Service standards

The current service standards that apply for the Maranoa scheme are reproduced in **Table 2**.

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

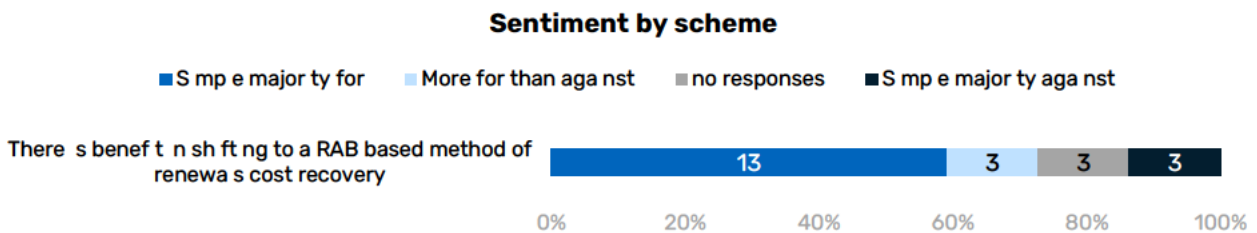


Figure 3 - How Sunwater’s irrigation customers responded to the RAB proposal – question and responses

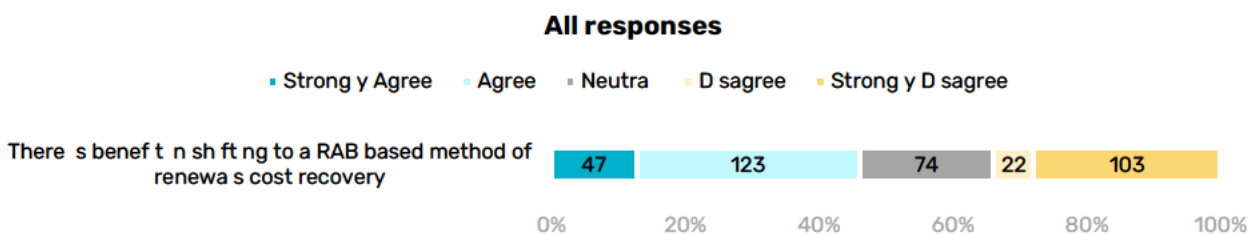


Table 2 - Service standards for Maranoa

Service standards	Standard	Target
<i>Planned shutdowns – notification</i>	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
<i>Unplanned shutdowns – duration</i>	During Peak Demand Period	48 hours
	Outside Peak Demand Period	5 working days
<i>Unplanned shutdowns – notification</i>	Affected customers will be notified of the likely duration of the interruption to supply	Within 24 hours of Sunwater learning of the event or by the end of the first business day following the event, whichever is the earlier
<i>Maximum number of interruptions</i>	Planned or unplanned interruptions per water year	10
<i>Meter repairs</i>	Faults causing restrictions to supply will be repaired	Within 1 working day
<i>Complaints and enquiries</i>	Initial response (Acknowledge)	5 working days
	Resolve or provide written response	21 days

Expenditure focus

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

Operating expenditure

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

Sunwater's proposed base year (2022-23 actuals after adjustments) of \$0.042M is shown on **Figure 7** and is \$0.006M higher than the QCA's allowance for the same year (after adjustment for actual inflation).

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

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

Price path opex forecast

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

The base-step-trend approach to develop our forecasts is described in detail in Sunwater's pricing submission. In summary, we take the base-year (**Figure 4**) and apply assumptions relating to inflation plus a step change in opex associated with our billing system renewal.

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

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

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

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

Renewals (capital)

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

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

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

Figure 4 - Scheme level breakdown of difference between Sunwater's base year and QCA allowance (2022-23)

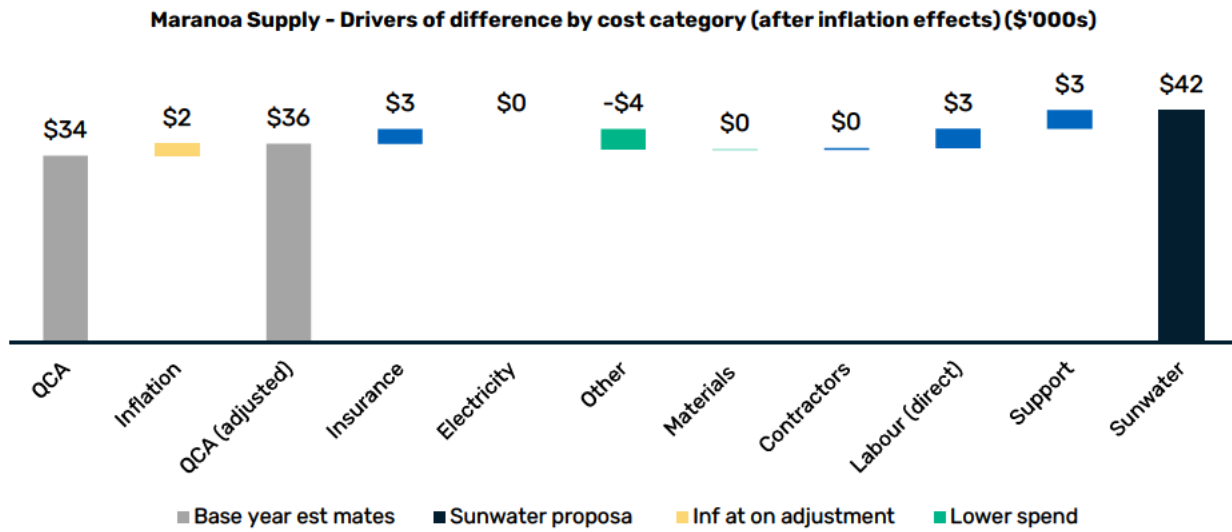
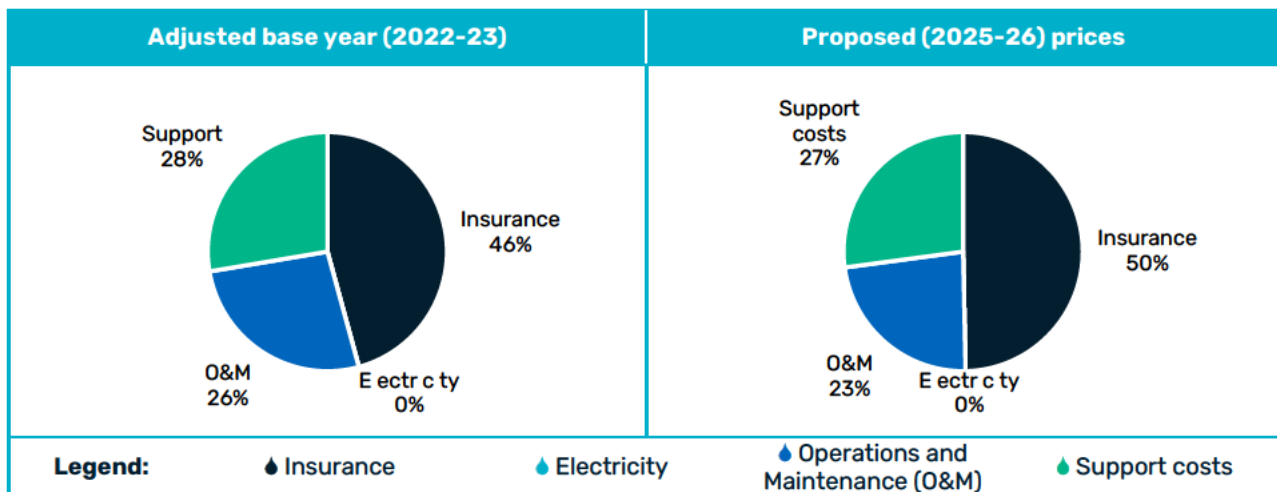


Table 3 - Maranoa opex forecasts for price path period ('000s)

Cost categories	2025-26	2026-27	2027-28	2028-29
Insurance	\$26.1	\$26.7	\$27.3	\$27.8
Electricity	\$0.0	\$0.0	\$0.0	\$0.0
Operations and maintenance ¹	\$12.2	\$12.5	\$12.7	\$13.0
Support costs	\$14.2	\$14.5	\$14.8	\$15.1
Opex - BST sub-total	\$52.5	\$53.7	\$54.8	\$55.9
Renewals opex	\$2.4	\$167.4	\$0.0	\$0.0
Opex total	\$54.9	\$221.1	\$54.8	\$55.9

Note 1: Includes preventative and corrective maintenance categories.

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



Current period (plus roll-forward)

Sunwater expects to have delivered \$0.26M in renewals activities for the 2019-20 to 2024-25 period. The QCA allowance⁴ for the same period was \$0.085M. This is shown in **Table 5** which also includes the roll-forward of annuity expenditure from the QCA's 2018-19 closing balance to 30 June 2025.

Maranoa is forecast to have a positive annuity closing balance.

The opening RAB balance for Maranoa has been set at \$0M, consistent with the approach set out in Sunwater's pricing submission.

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

Price path period

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

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

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

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

An additional \$0.04M in capital expenditure (not shown in **Table 7**) has been added to 2025-26 as the Maranoa portion of the \$42.4M whole-of-business project to renew Sunwater's billing system.

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

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast		
			<i>Current price path period</i>						
Opening balance		\$7.3	\$4.9	\$22.2	\$70.3	\$121.0	\$173.9	Aggregate spend	
Expenditure		-\$11.5	-\$30.3	-\$0.2	\$0.0	\$0.0	-\$214.8	-\$256.8	
Insurance proceeds									
Annuity contribution		\$8.8	\$47.3	\$47.3	\$47.6	\$47.6	\$48.7		
Interest		\$0.3	\$0.2	\$1.0	\$3.1	\$5.3	\$7.6		
Closing balance¹	\$7.3	\$4.9	\$22.2	\$70.3	\$121.0	\$173.9	\$15.4		

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

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

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

Project name	Year	Value
Desilt outlet valve pit & associated 300mm drain line & fit frog flap to outlet of drain line - Neil Turner Weir	2021-22	\$34.3
20MAR015 – 5 Yearly Comprehensive Inspection - Neil Turner Weir	2020	\$13.1

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

Category	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
15. Minor Works	\$2.4	\$0.0	\$0.0	\$0.0	\$2.4	1%
5. Dam-Related Works Program	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%
6. Safety and Security Assets Renewal Program	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%
8. Gates (Top 5 are mostly spillway / release)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%
Remaining programs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%
Sub-total – programs	\$2.4	\$0.0	\$0.0	\$0.0	\$2.4	1%
Projects not captured in programs	\$0.0	\$167.4	\$0.0	\$0.0	\$167.4	99%
Total	\$2.4	\$167.4	\$0.0	\$0.0	\$169.8	100%
Capex	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%
Renewals opex	\$2.4	\$167.4	\$0.0	\$0.0	\$169.8	100%

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

Project name	Year	Value	Percentage total
Refurbish Splitters - Neil Turner Weir 222.2Km - Spillway (All)	2027	\$119.6	70%
Refurbish Spillway Apron - Neil Turner Weir 222.2Km - Spillway (All)	2027	\$47.8	28%
Study: Asset Revaluation - Maranoa Supply	2026	\$2.4	1%

Beyond price path period

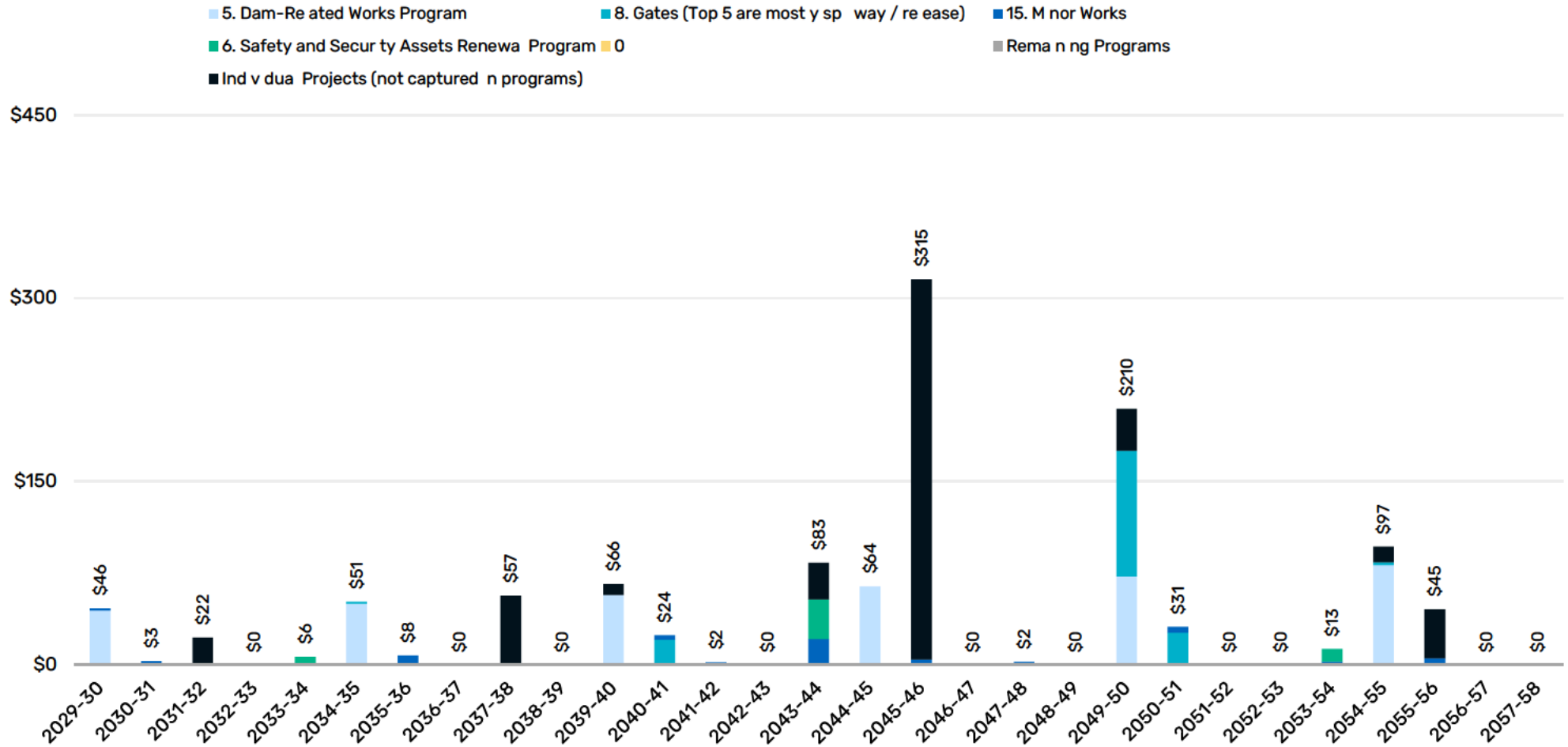
Expenditure beyond the price path is not relevant to the setting of prices for the 2025-26 to 2028-29 period under a RAB methodology. It is presented in **Figure 5** for completeness. This profile underpins the alternative annuity-base prices presented in the **Revenue and pricing** section of this summary.

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

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

Project name	Commencement year	Value	Percentage total
Comprehensive Inspection (5 yearly) - Neil Turner Weir	2025	\$369	32%
Refurbish Downstream Protection Works - Neil Turner Weir 222.2Km - Wall	2046	\$311	27%
Refurbish Inlet Trashrack - Neil Turner Weir 222.2Km - Outlet Works	2032	\$127	11%
Replace Bulkhead Gate - Neil Turner Weir 222.2Km - Outlet Works	2050	\$103	9%
Replace Inlet Trashrack - Neil Turner Weir 222.2Km - Outlet Works	2038	\$57	5%
Other	Varies	\$179	16%
Total		\$1,146	

Figure 5 - Expenditure by major program beyond the price path period (relevant under an annuity method of cost recovery)



Revenue and pricing

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

Revenue requirement

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

Prices

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

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

Maranoa River

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

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

Building block	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
<i>Price path related expenditure</i>						
Opex	\$52.5	\$53.7	\$54.8	\$55.9	\$216.9	51.3%
Renewals opex	\$2.4	\$167.4	\$0.0	\$0.0	\$169.8	40.1%
Capital returns	\$0.7	\$1.4	\$1.5	\$1.6	\$5.3	1.2%
Tax allowance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Sub-total	\$55.5	\$222.5	\$56.4	\$57.5	\$391.9	92.7%
<i>Revenue adjustments</i>						
Revenue offsets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Insurance review	\$7.0	\$7.2	\$7.4	\$7.6	\$29.1	6.9%
QCA fee ¹	\$0.5	\$0.5	\$0.5	\$0.5	\$1.9	0.4%
Sub-total	\$7.4	\$7.6	\$7.9	\$8.1	\$31.0	7.3%
Total	\$63.0	\$230.1	\$64.2	\$65.6	\$422.9	100.0%

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

Table 11 - Comparison of recommended prices- Maranoa tariff group

Charge	Methodology	2025-26	2026-27	2027-28	2028-29
Part A (\$/ML)	Proposed (RAB)	\$72.70	\$77.32	\$82.15	\$87.18
	Annuity	\$72.70	\$77.32	\$82.15	\$87.18
	Difference	+\$0.00	+\$0.00	+\$0.00	+\$0.00
Part B (\$/ML)	Proposed (RAB)	\$73.00	\$75.02	\$77.10	\$79.23
	Annuity	\$73.00	\$75.02	\$77.10	\$79.23
	Difference	+\$0.00	+\$0.00	+\$0.00	+\$0.00

Appendix - Correspondence

[Redacted]

From: Sunwater Irrigation Price Path
Sent: Wednesday, 21 June 2023 2:45 PM
To: [Redacted]
Subject: Irrigation price path - No changes for Maranoa customers

Hi [Redacted]

I wanted to send a brief email to advise that the Queensland Competition Authority (QCA) is currently conducting a review of irrigation costs to inform prices for the period 1 July 2025 to 30 June 2029. I note you are listed as a Sunwater customer under the Maranoa River Water Supply Scheme and wanted to assure you that Sunwater is not proposing any changes for your scheme.

While you will not be impacted, if you had an interest in how Sunwater develops a pricing proposal to submit to the QCA as part of this review, we are updating our project website as we progress towards submitting our proposal - [Irrigation Price Path - Sunwater](#), or alternatively, you are welcome to contact me on the details below.

[Redacted]

[Redacted]

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Sent: Wednesday, 21 June 2023 2:45 PM
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[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

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[REDACTED]

sunwater

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Fortitude Valley, Queensland
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Sunwater acknowledges Aboriginal and Torres Strait Islander peoples as the first peoples of this country and Traditional 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.

[Redacted]

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[REDACTED]

[REDACTED]

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