



# **Lower Mary River Water Supply Scheme**

Scheme Summary

Friday 17 November 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.

# Agenda for today

## What to expect from Sunwater



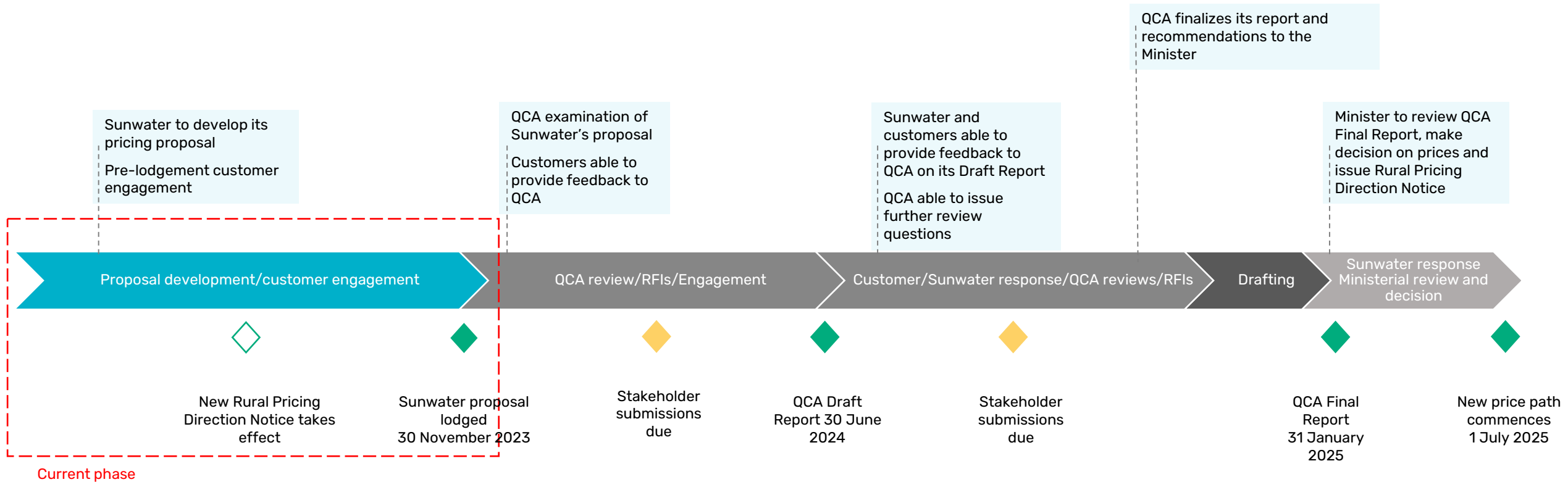
sunwater

We told you we would deliver 3 stages of engagement

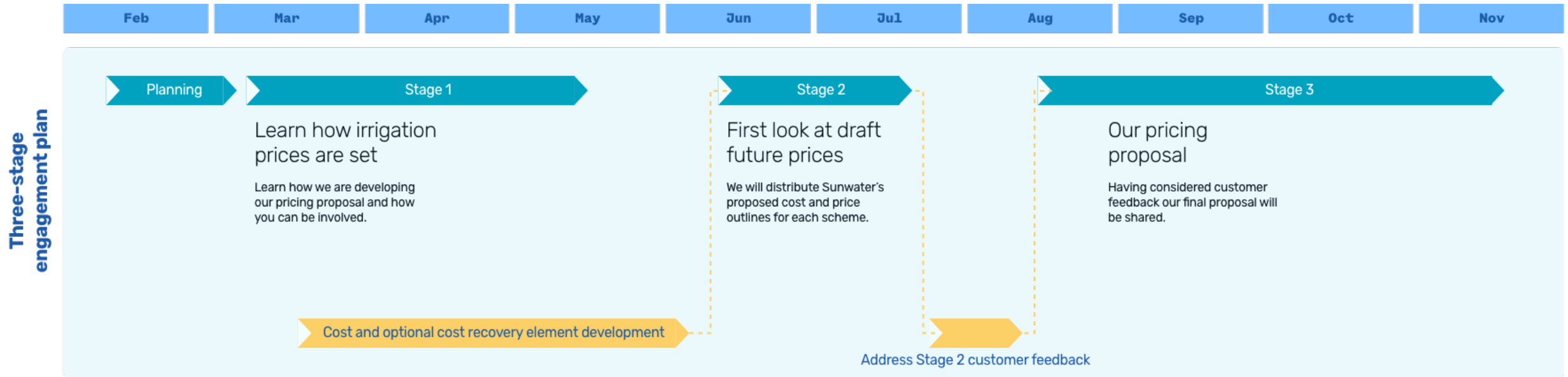
This is Stage 3 and today will go over:

Process	How we got to this point, where to next
Opex	Review outcomes, final forecast
Renewals	
Feedback	What customers have told us, how we have responded
Proposal	Sunwater's final proposal
Prices	Cost reflective and recommended

# Recap – Timeline to 1 July 2025



# Customer engagement



## Customer feedback

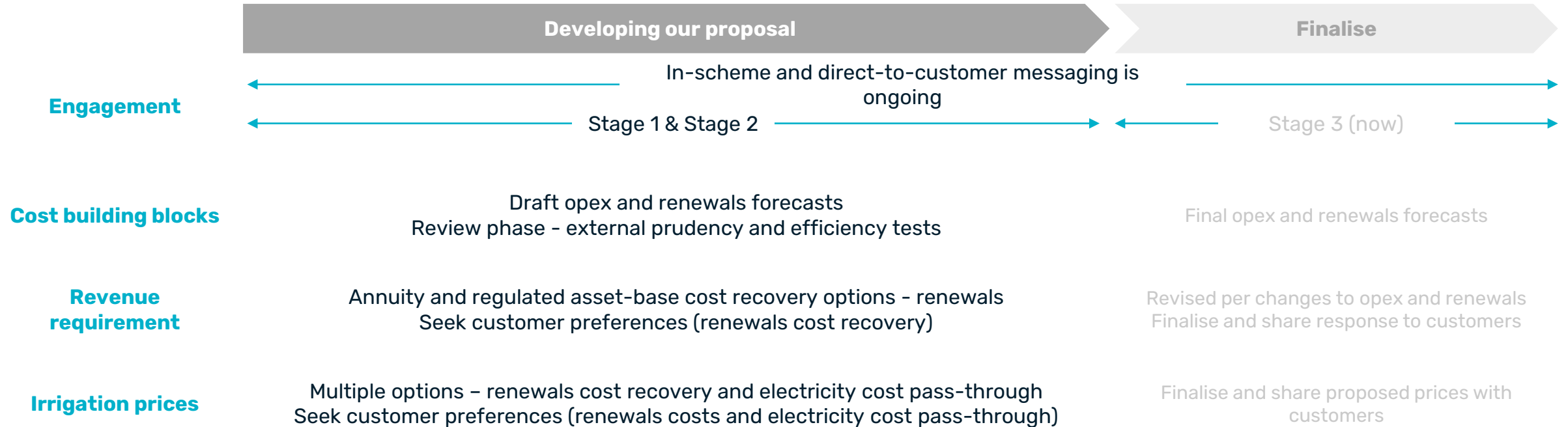
### What customers requested:

- more detailed information on scheme-specific costs including specific details on renewals expenditure

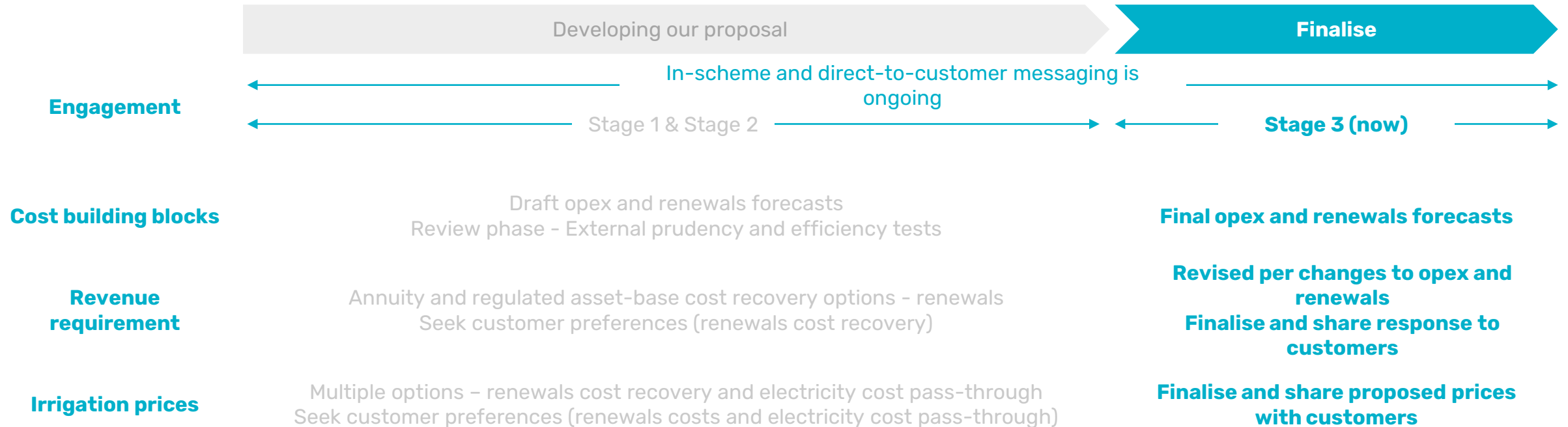
### What we did:

- ✓ Our Stage 3 engagement materials include details on scheme specific opex costs and renewals projects

# Our customers have helped shape our proposal

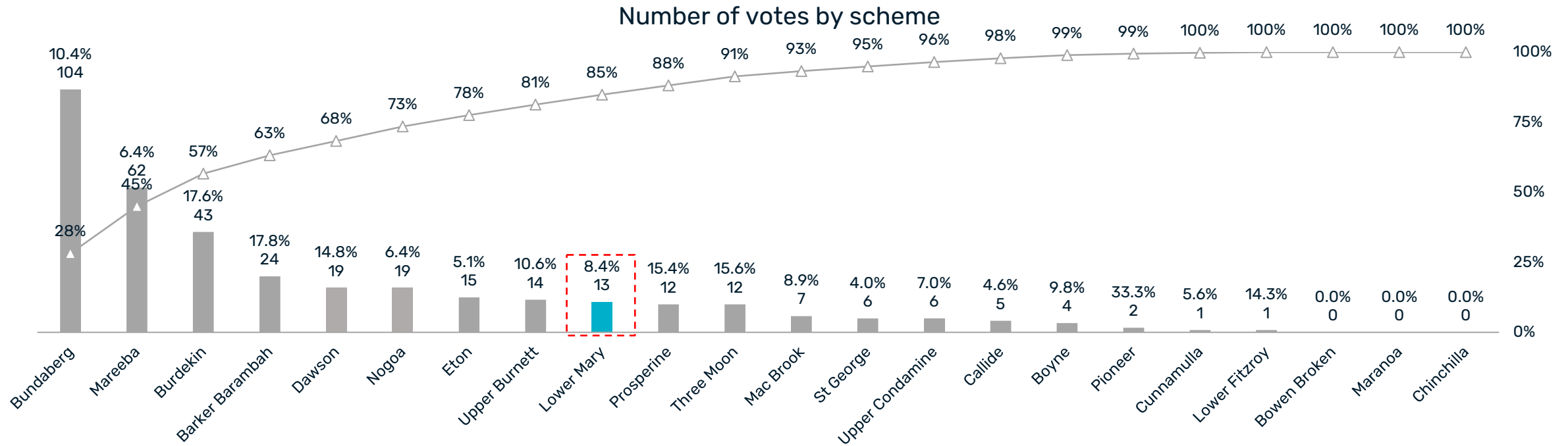


# Our customers have helped shape our proposal – now it's ready to finalise



# What customers told us – feedback process

- 8.4 per cent scheme response rate



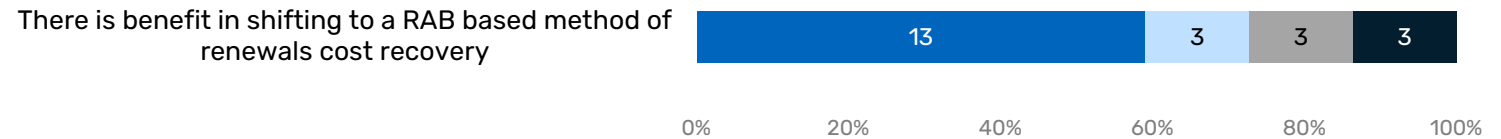


# What customers told us – RAB Proposal

- Put forward as a change to all water supply schemes
- Sunwater has included a shift to a RAB as part of its submission
- GoVote results show broad customer support

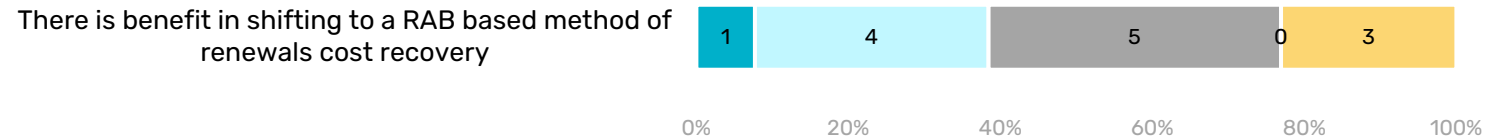
## Sentiment by scheme

■ Simple majority for ■ More for than against ■ no responses ■ Simple majority against



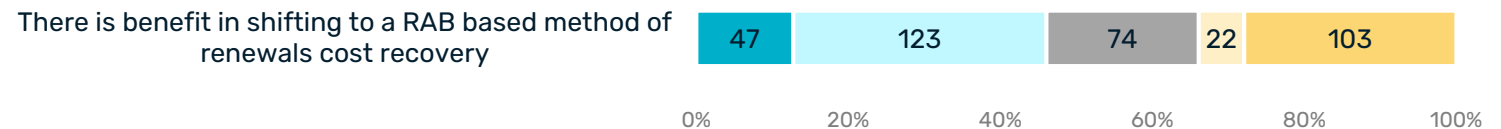
## Scheme responses

■ Strongly Agree ■ Agree ■ Neutral ■ Disagree ■ Strongly Disagree



## All responses

■ Strongly Agree ■ Agree ■ Neutral ■ Disagree ■ Strongly Disagree



# What customers told us – Other proposals

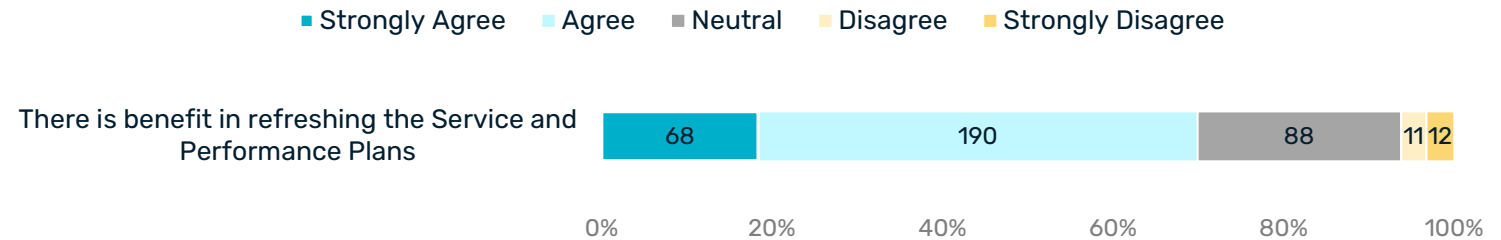
## Service and Performance Plans (S&PPs)

- Clear customer support for a refresh of the S&PPs
- Working on publishing 2022-23 actuals in December 2023
- Sunwater welcomes feedback on the content of the refreshed S&PPs

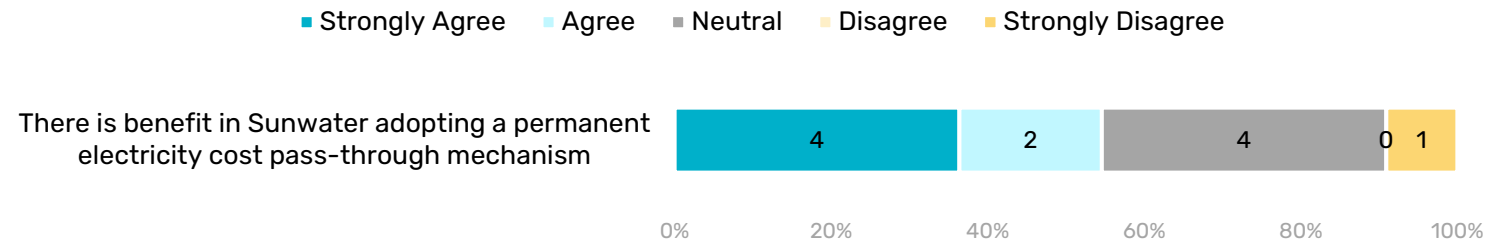
## ECPT

- 12 customers responded
- 1 customer voted against the proposal
- Sunwater welcomes further feedback

## All responses



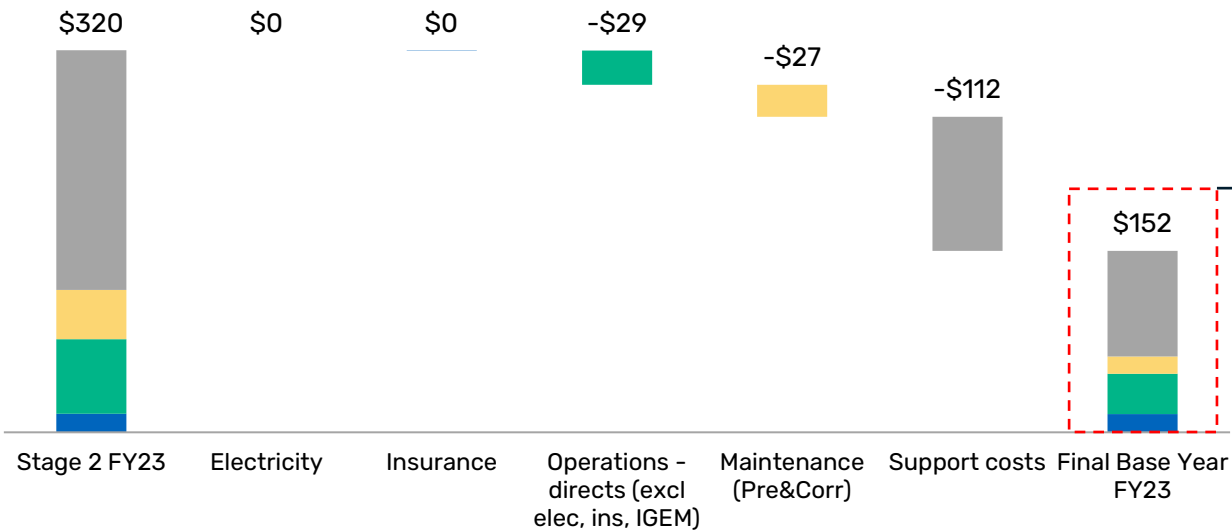
## Lower Mary



# Lower Mary River (Supply)

# Opex base-year and how it changed from Stage 2

Derivation of opex base year - from Stage 2 to Stage 3 engagement ('000s)



These numbers take the base year and add

- Billing system renewal opex allowance (\$55k per annum)
- Inflation forecasts

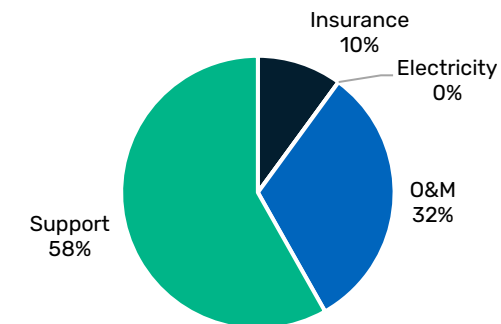
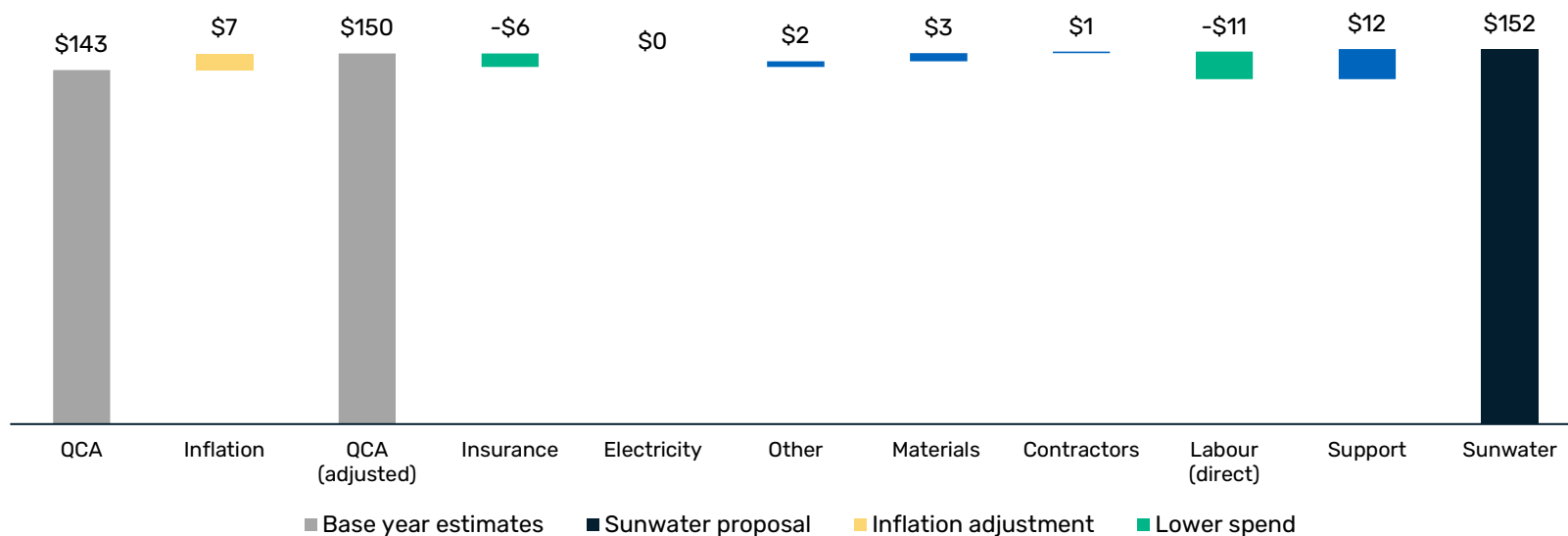
## Change

	Electricity	Insurance	Operations - directs (excl elec, ins, IGEM)	Maintenance (Pre&Corr)	Support costs	Final Base Year FY23
EOFY	+0	-0	-19	-24	-112	-155
Pricing	+0	+0	-10	-3	+0	-13
<b>Total</b>	<b>+0</b>	<b>-0</b>	<b>-29</b>	<b>-27</b>	<b>-112</b>	<b>-168</b>

Cost categories	2025-26	2026-27	2027-28	2028-29
Insurance	\$20.7	\$21.2	\$21.7	\$22.1
Electricity	\$0.0	\$0.0	\$0.0	\$0.0
Ops & Maint	\$52.7	\$54.0	\$55.1	\$56.2
Support costs	\$151.9	\$152.3	\$155.8	\$159.2
<b>Opex total</b>	<b>\$225.4</b>	<b>\$227.5</b>	<b>\$232.7</b>	<b>\$237.6</b>

# Base year comparison with QCA

Lower Mary Supply - Drivers of difference by cost category (after inflation effects) (\$'000s)



Base year broken into major spend categories

# Renewals expenditure - Current pricing period

## Lower Mary River Supply - Current pricing period expenditure and renewals 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		-\$2,440.2	-\$2,466.5	-\$2,411.3	-\$2,443.4	-\$2,370.0	-\$2,343.1
Expenditure		-\$37.0	-\$59.3	-\$151.0	-\$46.1	-\$97.1	-\$99.9
		<i>Aggregate spend for roll-forward period =-\$490.4</i>					
Insurance proceeds							
Annuity contribution		\$117.4	\$222.3	\$224.4	\$226.2	\$227.7	\$232.8
Interest		-\$106.7	-\$107.8	-\$105.4	-\$106.8	-\$103.6	-\$102.4
<b>Closing balance<sup>1</sup></b>	<b>-\$2,440.2</b>	<b>-\$2,466.5</b>	<b>-\$2,411.3</b>	<b>-\$2,443.4</b>	<b>-\$2,370.0</b>	<b>-\$2,343.1</b>	<b>-\$2,312.6</b>

1. Sunwater expects to have delivered \$0.49M in renewals activities for the 2019-20 to 2024-25 period.
2. The QCA allowance for the same period was \$0.32M.
3. Lower Mary River (Supply) is forecast to have a negative annuity closing balance.
4. The opening RAB balance for the scheme has been set at \$2.31M.

## Significant projects (by value) delivered in this period (\$'000s )

Project name	Year	Value
Refurbish Fishway Baffle Support - Tinana Barrage	2021	\$63.0
Replace Meter Program (2 per year) - Tinana Stream	2024-29	\$44.1
Replace Meters Lower Mary Supply	2023	\$43.1

# Renewals expenditure – Forecast

## Internal and external prudence and efficiency review

Recommended cost and timing adjustments

Identified new programs

Program	Adjustment to timing (years)	Percentage adjustment to costs
Switchboard and Control Renewal	1	13.8%
Meters	0	-1.3%
Instrumentation	0	-0.6%
Valve Renewal and Replacement	5	-7.3%
Dam-Related Works	0	-2.8%
Safety and Security Assets	0	-22.3%
Pump & Motor	0	-3.8%
Gates	6	-15.2%
SCADA	0	-38.0%
Pipeline Refurbishment / Replacement	15	-7.3%
Channel re-lining and re-shaping	0	2.0%
Civil and Roads (inlet / outlet towers)	1	-2.3%
Mechanical / Minor Works	0	0
Individual Projects	2	-6.1%

# Renewals expenditure – Forecast

## Internal and external prudence and efficiency review

Recommended cost and timing adjustments

Identified new programs



Program	Scope	Range	Recommended
Dam Instrumentation	<ul style="list-style-type: none"> <li>Inconsistencies / gaps in monitoring and management of safety instrumentation across dam sites</li> <li>A risk-based approach for the management and monitoring of instrumentation to provide early warning of the development of trends and behaviours</li> <li>Program of works covering the FY21 to FY28 period</li> </ul>	Low = \$8M High = \$35M	<b>\$18M</b> covering project definition, business case development for recommended site improvements, and construction activities associated with 10 most critical sites
Arc Flash	<ul style="list-style-type: none"> <li>Staff entering and operating facilities with switchboards are exposed to arcflash risks</li> <li>Possibility to cause serious long-term harm or death</li> <li>Review of all relevant Sunwater sites – identified 109 sites for investment to mitigate risk</li> </ul>	Low = \$4.3M High = \$50.5M	<b>\$11M</b> covering triage and installation of upstream protection devices and Arc Flash detection relays
Smart Meters	<ul style="list-style-type: none"> <li>Improved ability to manage water, compliance and safety risks via deployment of smart meters</li> </ul>	Low = \$2.1M High = \$8.4M	<b>\$4.2M</b> applying meters to gauging stations and 80% of volume in priority schemes
Dam Safety Management	<ul style="list-style-type: none"> <li>Risk management planning and ALARP activities require a range of activities including investigative studies – compliance driven</li> </ul>	Low = \$0M High = \$18.4M	<b>\$8.3M</b> covering required studies for priority dams considered to have a low likelihood of capital intervention



# Renewals expenditure – Forecast (four years RAB-aligned)

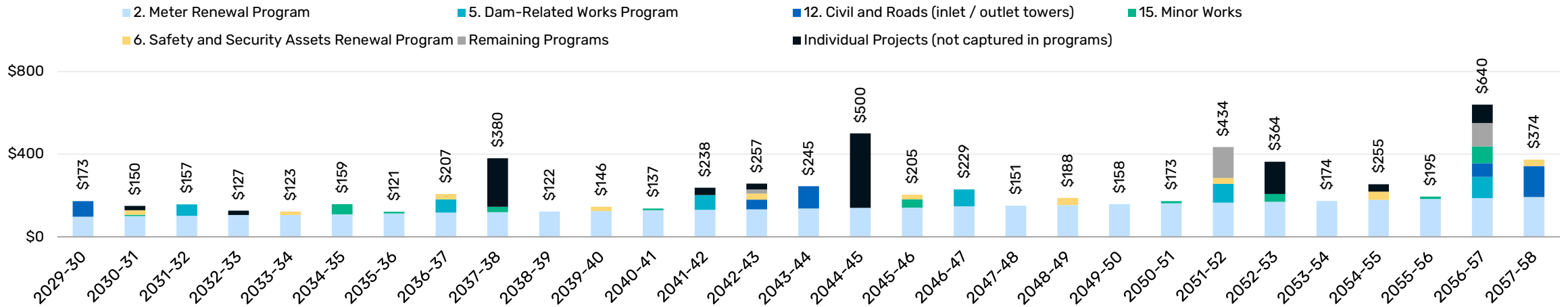
Lower Mary River Supply – Price path period – forecast renewals expenditure (\$'000s)

Category	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
2. Meter Renewal Program	\$84.6	\$87.3	\$87.9	\$95.1	<b>\$354.9</b>	65%
15. Minor Works	\$51.7	\$18.8	\$0.0	\$0.0	<b>\$70.5</b>	13%
5. Dam-Related Works Program	\$0.0	\$47.7	\$0.0	\$0.0	<b>\$47.7</b>	9%
12. Civil and Roads (inlet / outlet towers)	\$0.0	\$0.0	\$0.0	\$31.6	<b>\$31.6</b>	6%
6. Safety and Security Assets Renewal Program	\$0.0	\$0.0	\$14.7	\$0.0	<b>\$14.7</b>	3%
Remaining programs	\$0.0	\$0.0	\$0.0	\$0.0	<b>\$0.0</b>	0%
Sub-total programs	\$136.3	\$153.8	\$102.6	\$126.7	<b>\$519.4</b>	96%
Projects not captured in programs	\$0.0	\$23.5	\$0.0	\$0.0	<b>\$23.5</b>	4%
<b>Total</b>	<b>\$136.3</b>	<b>\$177.3</b>	<b>\$102.6</b>	<b>\$126.7</b>	<b>\$542.9</b>	<b>100%</b>
<i>Capex</i>	\$84.6	\$87.3	\$87.9	\$95.1	<b>\$354.9</b>	65%
<i>Renewals opex</i>	\$51.7	\$90.0	\$14.7	\$31.6	<b>\$188.0</b>	35%

Our review process has lowered the 4-year forecast

\$0.6M to \$0.5M ( ↓ -\$0.1 )

## Renewals expenditure - Forecast (rest of the annuity period - out to 2057-58)



Project name	Commencement year	Value	Percentage total
Replace Meter Program - Tinana Stream	2025	\$2,330	34%
Replace Meter Program Meter Outlets-Mary River Barr Reg	2025	\$1,724	25%
Refurbishment of Right Bank Access Road - Mary Barrage	2030	\$272	4%
Refurbish Baffles - Tinana Barrage 1.6 Km - Fish Ladder	2038	\$265	4%
Study: Comprehensive Risk Assessment Weir - Mary Barrage	2027	\$241	4%
Other	Varies	\$1,949	29%
<b>Total</b>		<b>\$6,782</b>	<b>100%</b>

Projects shown in this table may include multiple instances of a planned corrective maintenance activity due to occur at intervals throughout the 2029-30 to 2057-58 period

Our review process has lowered the aggregate forecast for the 2029-30 to 2057-58 period

\$7.9M to \$6.8M

( ↓ \$1.1M )

# Sunwater's proposal for Lower Mary River (Supply)

Total 4-year scheme-level revenue requirement of \$3.4M

Prices reflect a RAB methodology

Refreshed S&PPs

## Forecast revenue requirement (inclusive of revenue adjustments) (\$'000s)

Numbers may not add due to rounding

Building block	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
Price path related expenditure						
Opex	\$225.4	\$227.5	\$232.7	\$237.6	\$923.1	27.3%
Renewals opex	\$51.7	\$90.0	\$14.7	\$31.6	\$188.0	5.6%
Capital returns	\$136.2	\$171.2	\$184.2	\$191.3	\$682.9	20.2%
Tax allowance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
<b>Sub-total</b>	<b>\$413.3</b>	<b>\$488.7</b>	<b>\$431.5</b>	<b>\$460.5</b>	<b>\$1,794.0</b>	<b>53.1%</b>
Revenue adjustments						
Revenue transfer <sup>1</sup>	\$401.1	\$444.5	\$366.9	\$327.4	\$1,539.9	45.5%
Revenue offsets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Insurance review	-\$1.5	-\$1.5	-\$1.6	-\$1.6	-\$6.2	-0.2%
QCA fee <sup>2</sup>	\$12.9	\$13.2	\$13.6	\$14.0	\$53.6	1.6%
<b>Sub-total</b>	<b>\$412.5</b>	<b>\$456.2</b>	<b>\$378.9</b>	<b>\$339.7</b>	<b>\$1,587.3</b>	<b>46.9%</b>
<b>Total</b>	<b>\$825.8</b>	<b>\$944.9</b>	<b>\$810.4</b>	<b>\$800.2</b>	<b>\$3,381.3</b>	<b>100.0%</b>

Note 1: Consistent with past practice Sunwater has transferred (into the Lower Mary Supply service) a portion of revenue requirement associated with the Owanayilla pump station and main channel (Distribution service assets) – this revenue transfer is only applied to the Tinana & Teddington tariff group.

Note 2: The QCA fee is apportioned to each scheme on the basis of irrigation entitlements.

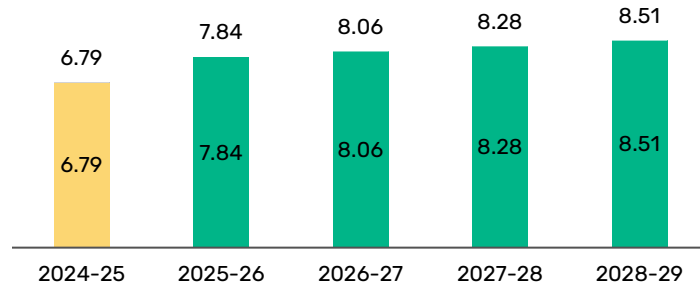
# Prices

Lower Mary – Mary Barrage

**PO Change**

-58.7%

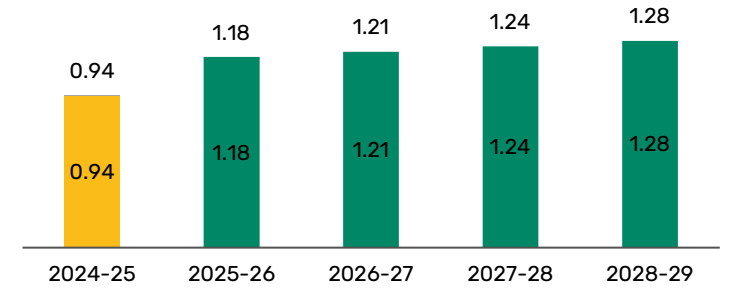
**Part A - Medium Priority (\$/ML)**



**PO Change**

-84.2%

**Part B (\$/ML)**

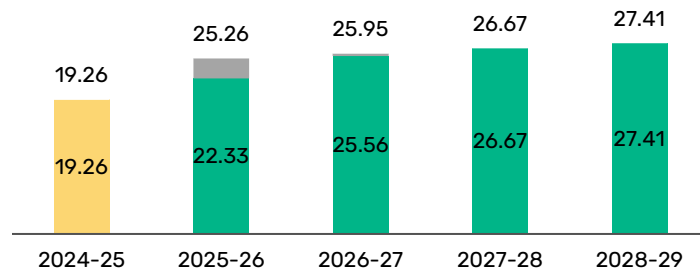


Lower Mary – Tinana & Teddington

**PO Change**

-33.1%

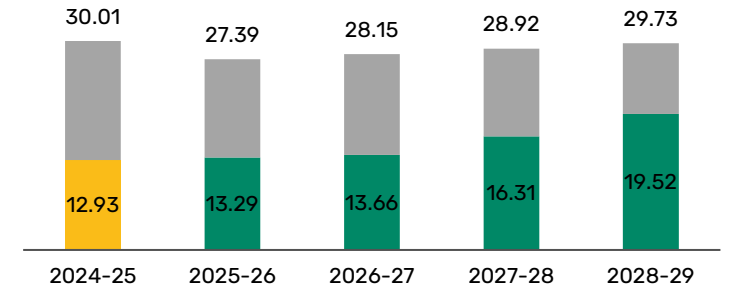
**Part A - Medium Priority (\$/ML)**



**PO Change**

20.8%

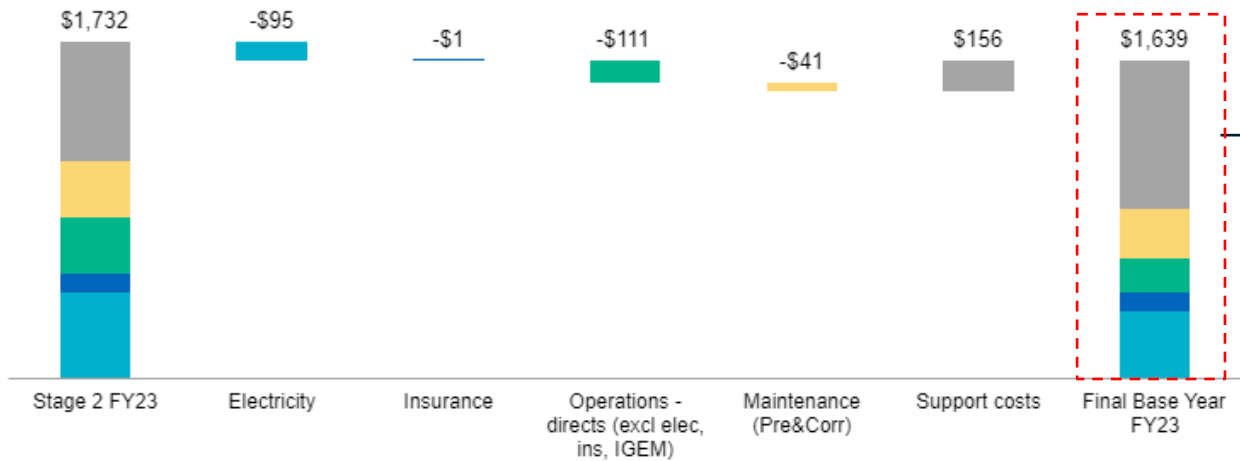
**Part B (\$/ML)**



# Lower Mary River (Distribution)

# Opex base-year and how it changed from Stage 2

Derivation of opex base year - from Stage 2 to Stage 3 engagement ('000s)



These numbers take the base year and add inflation forecasts

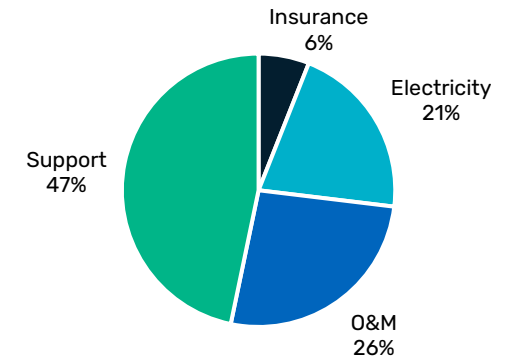
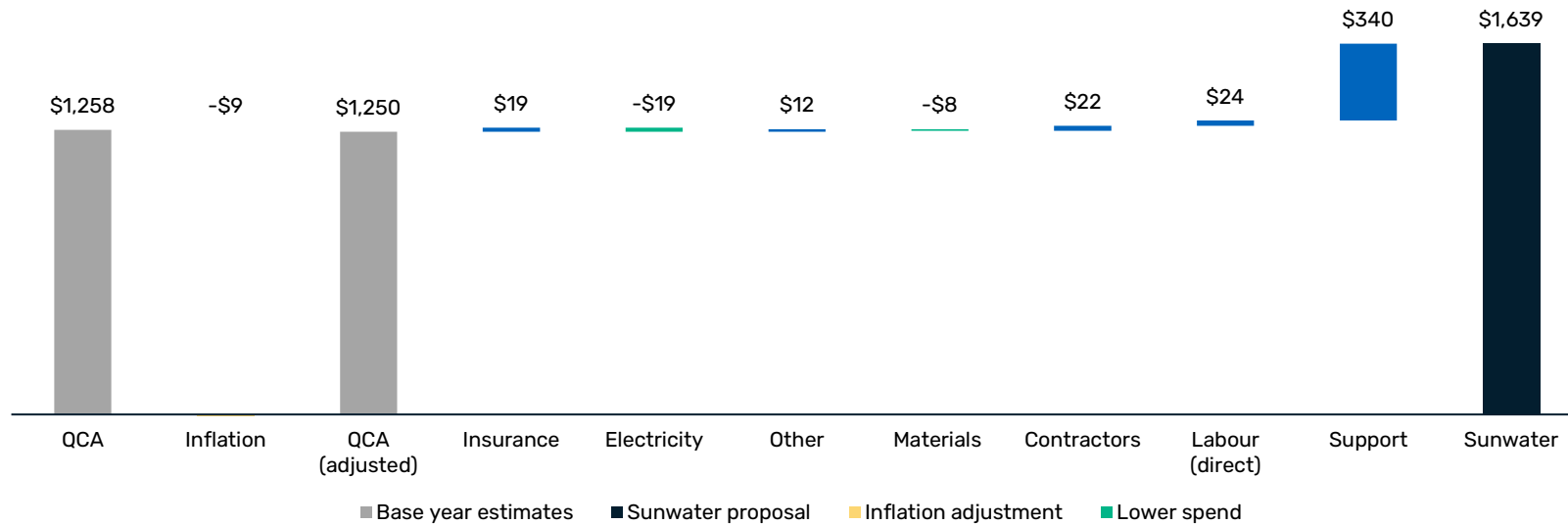
## Change

	Electricity	Insurance	Operations - directs (excl elec, ins, IGEM)	Maintenance (Pre&Corr)	Support costs	Total
EOFY	-185	-1	+29	+49	+156	+48
Pricing	+90	+0	-140	-90	+0	-140
<b>Total</b>	<b>-95</b>	<b>-1</b>	<b>-111</b>	<b>-41</b>	<b>+156</b>	<b>-92</b>

Cost categories	2025-26	2026-27	2027-28	2028-29
Insurance	\$118.9	\$121.7	\$124.5	\$126.9
Electricity	\$317.4	\$325.1	\$332.9	\$339.5
Ops & Maint	\$419.4	\$429.5	\$438.6	\$447.3
Support costs	\$744.4	\$762.5	\$778.6	\$794.1
<b>Opex total</b>	<b>\$1,600.1</b>	<b>\$1,638.7</b>	<b>\$1,674.5</b>	<b>\$1,707.8</b>

# Base year comparison with QCA

Lower Mary Distribution - Drivers of difference by cost category (after inflation effects) (\$'000s)



Base year broken into major spend categories

# Renewals expenditure - Current pricing period

## Lower Mary River (Distribution) - Current pricing period expenditure and renewals 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		\$2,284.6	\$2,491.0	\$1,832.3	\$457.0	-\$988.8	-\$4,369.1	
Expenditure		-\$397.3	-\$954.4	-\$1,648.6	-\$1,687.8	-\$3,598.2	-\$576.7	
		<i>Aggregate spend for roll-forward period =-\$8,863.1</i>						
Insurance proceeds								
Annuity Contribution		\$503.7	\$186.8	\$193.2	\$222.1	\$261.1	\$267.0	
Interest		\$99.9	\$108.9	\$80.1	\$20.0	-\$43.2	-\$191.0	
<b>Closing Balance<sup>1</sup></b>	<b>\$2,284.6</b>	<b>\$2,491.0</b>	<b>\$1,832.3</b>	<b>\$457.0</b>	<b>-\$988.8</b>	<b>-\$4,369.1</b>	<b>-\$4,869.9</b>	

1. Sunwater expects to have delivered \$8.86M in renewals activities for the 2019-20 to 2024-25 period.
2. The QCA allowance for the same period was \$2.16M.
3. Lower Mary River (Distribution) is forecast to have a negative annuity closing balance.
4. The opening RAB balance for the scheme has been set at \$4.87M.


## Significant projects (by value) delivered in this period (\$'000s )

Project name	Year	Value
Owanyilla Pump Station - Switchboard 2	2020-25	\$2,593.1
Main Roads Pump Station - LV Switchboard	2020-24	\$1,392.6
19LOW09 Replacement - Electrical Control	2020-22	\$929.4



# Renewals expenditure – Forecast (four years RAB aligned)

Lower Mary (Distribution) – Price path period – forecast renewals expenditure (\$'000s)

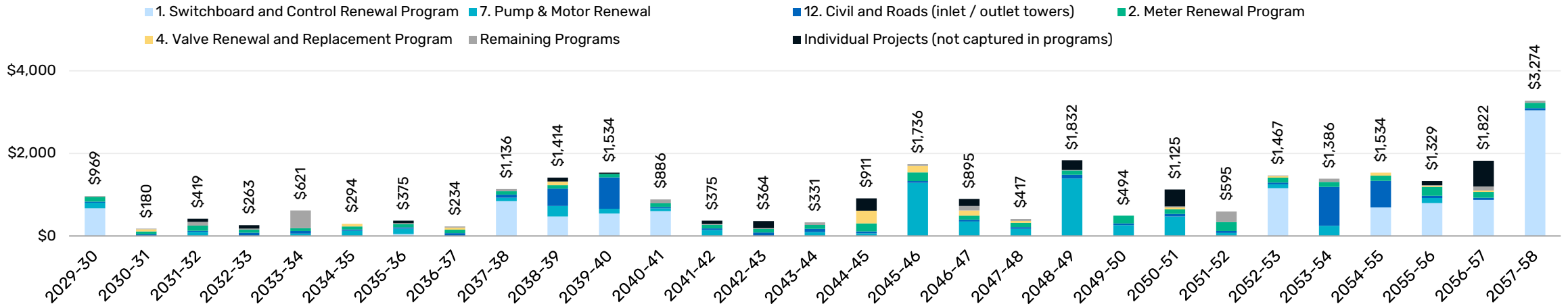
Category	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
17. Arc Flash Program 	\$537.1	\$332.7	\$0.0	\$0.0	\$869.8	36%
7. Pump & Motor Renewal	\$130.3	\$0.0	\$0.0	\$211.3	\$341.6	14%
12. Civil and Roads (inlet / outlet towers)	\$203.4	\$24.7	\$25.4	\$50.6	\$304.1	13%
2. Meter Renewal Program	\$59.5	\$61.3	\$61.9	\$65.0	\$247.7	10%
11. Channel re-lining and re-shaping	\$0.0	\$0.0	\$89.0	\$0.0	\$89.0	4%
Remaining programs	\$81.6	\$33.4	\$0.0	\$21.1	\$136.1	6%
Sub-total – programs	\$1,012.0	\$452.1	\$176.3	\$347.9	\$1,988.3	83%
Projects not captured in programs	\$0.0	\$408.6	\$0.0	\$0.0	\$408.6	17%
<b>Total</b>	<b>\$1,012.0</b>	<b>\$860.7</b>	<b>\$176.3</b>	<b>\$347.9</b>	<b>\$2,397.0</b>	<b>100%</b>
<i>Capex</i>	\$695.2	\$448.4	\$87.3	\$251.6	\$1,482.5	62%
<i>Renewals opex</i>	\$316.8	\$412.3	\$89.0	\$96.3	\$914.4	38%

Our review process has lifted the 4-year forecast

\$1.1M to \$2.4M

(  \$1.3 )

## Renewals expenditure - Forecast (rest of the annuity period - out to 2057-58)



Project name	Commencement year	Value	Percentage total
Replace Control Equipment - Owanyilla Pump Station	2039	\$3,985	14%
Replace Control System - Walker Point Pump Station	2038	\$1,981	7%
Replace Switchboard 2 - Owanyilla Pump Station	2026	\$1,939	7%
Replace Common Control - Plc - Main Roads Pump Station	2039	\$1,853	7%
Customer Meter Replacement Allocation Walker Point System	2025	\$1,650	6%
Other	Varies	\$16,804	60%
<b>Total</b>		<b>\$28,211</b>	

Projects shown in this table may include multiple instances of a planned corrective maintenance activity due to occur at intervals throughout the 2029-30 to 2057-58 period

Our review process has lowered the aggregate forecast for the 2029-30 to 2057-58 period

\$41.5M to \$28.2M

( ↓ \$13.3M )

# Sunwater's proposal for Lower Mary River (Distribution)

Total 4-year scheme-level revenue requirement of \$8.3M

Prices reflect a RAB methodology

Refreshed S&PPs

## Forecast revenue requirement (inclusive of revenue adjustments) (\$'000s)

Numbers may not add due to rounding

Building block	2025-26	2026-27	2027-28	2028-29	Aggregate	Percentage
Price path related expenditure						
Opex	\$1,849.5	\$1,894.1	\$1,935.6	\$1,974.1	\$7,653.3	92.0%
Renewals opex	\$316.8	\$412.3	\$89.0	\$96.3	\$914.4	11.0%
Capital returns	\$245.5	\$277.0	\$301.5	\$313.3	\$1,137.3	13.7%
Tax allowance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Sub-total	\$2,411.7	\$2,583.5	\$2,326.0	\$2,383.7	\$9,705.0	116.6%
Revenue adjustments						
Revenue transfer <sup>1</sup>	-\$401.1	-\$444.5	-\$366.9	-\$327.4	-\$1,539.9	-18.5%
Revenue offsets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Insurance review	\$37.2	\$38.3	\$39.3	\$40.3	\$155.2	1.9%
QCA fee <sup>1</sup>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Sub-total	-\$363.9	-\$406.2	-\$327.5	-\$287.1	-\$1,384.7	-16.6%
<b>Total</b>	<b>\$2,047.8</b>	<b>\$2,177.3</b>	<b>\$1,998.5</b>	<b>\$2,096.7</b>	<b>\$8,320.3</b>	<b>100.0%</b>
Opex	\$1,849.5	\$1,894.1	\$1,935.6	\$1,974.1	\$7,653.3	92.0%
Returned annuity balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
<b>Total (net of returns)</b>	<b>\$2,047.8</b>	<b>\$2,177.3</b>	<b>\$1,998.5</b>	<b>\$2,096.7</b>	<b>\$8,320.3</b>	

Note 1: Consistent with past practice, Sunwater has transferred (out of the Lower Mary Distribution service) a portion of revenue requirement associated with the Owanayilla pump station and main channel.

Note 2: The QCA fee is apportioned to each scheme on the basis of irrigation entitlements.

# Prices (under an electricity cost pass-through)

Lower Mary Channel

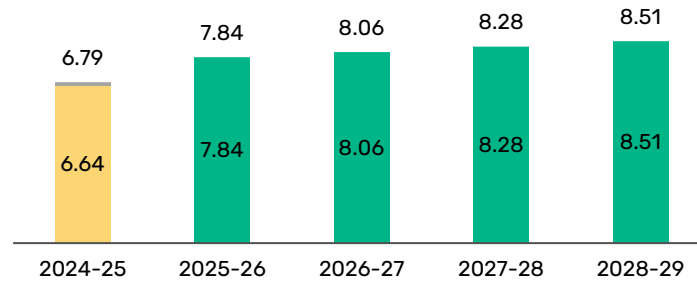
**PO Change**

-58.7%

## Prices inclusive of electricity

Part A and Part B cost reflective charges are unaffected by the pass-through proposal

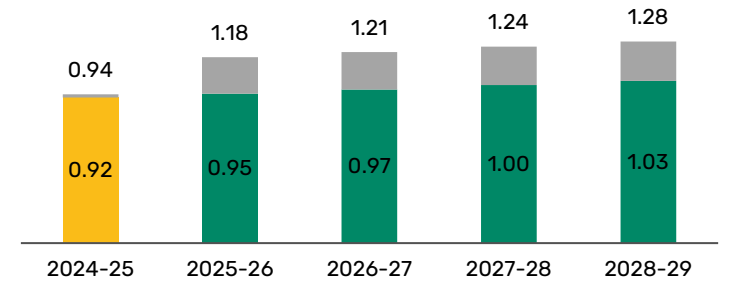
### Part A - Medium Priority (\$/ML)



**PO Change**

-84.2%

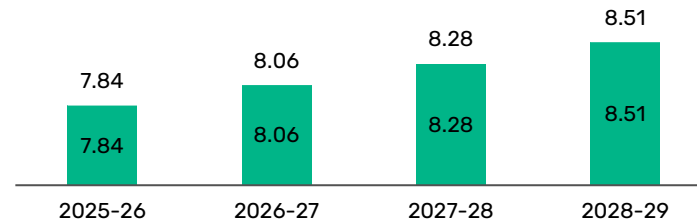
### Part B (\$/ML)



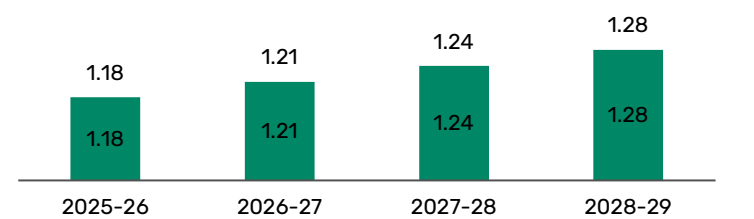
## Prices under pass-through

Recommended Part A and Part B charges are calculated as a bundle with Part C and Part D charges and may differ under a pass-through

### Part A - Medium Priority (\$/ML)



### Part B (\$/ML)

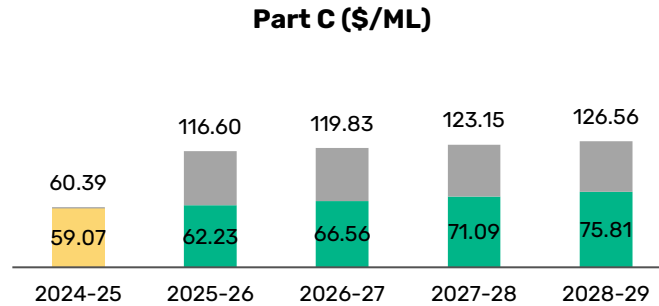


# Prices (under an electricity cost pass-through)

Lower Mary Channel

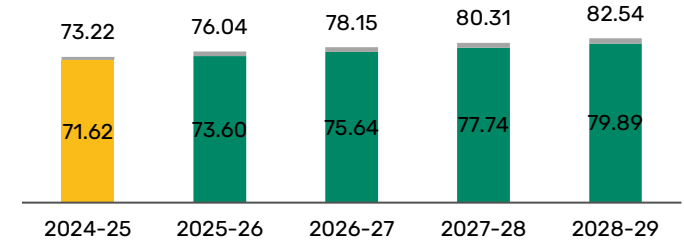
PO Change  
16.6%

Prices *inclusive* of electricity

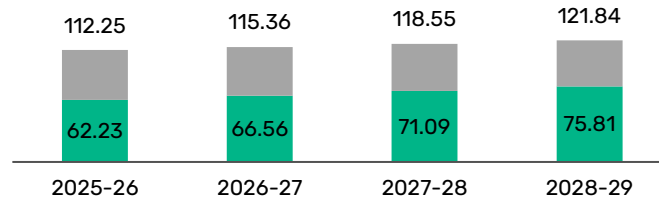


PO Change  
-34.9%

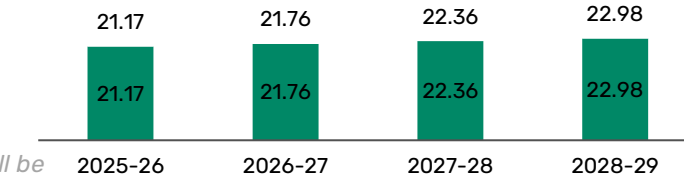
Part D (\$/ML)



Part C (\$/ML)



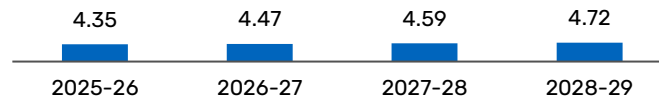
Part D (\$/ML)



Prices *under pass-through*

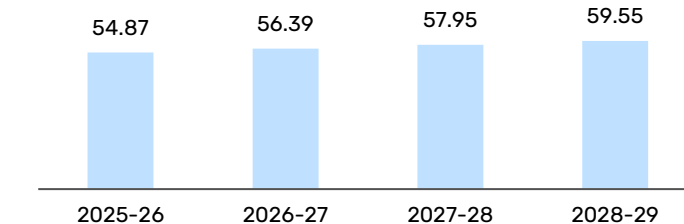
The Part C charge will be split into a Part C and a Part E charge under a pass-through (segregated Part C and Part E prices may not add due to rounding)

Part E (\$/ML) - Indicative only

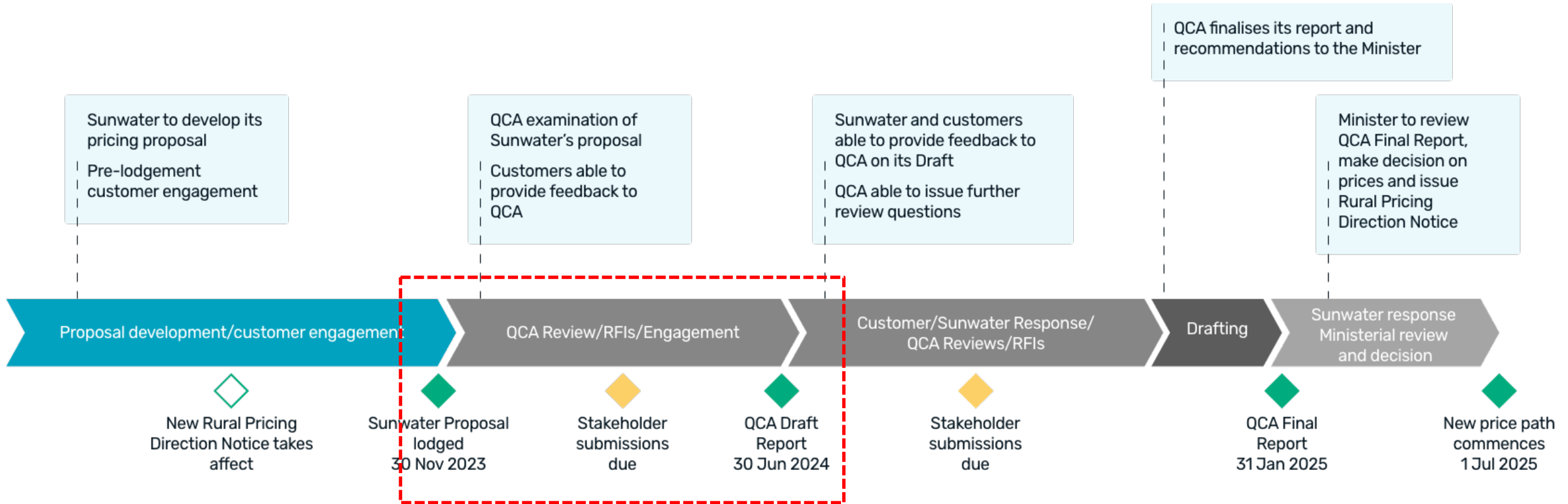


The Part D charge will be split into a Part D and a Part F charge under a pass-through (segregated Part D and Part F prices may not add due to rounding)

Part F (\$/ML) - Indicative only



# Recap and next steps



You will also have the opportunity to provide comment / feedback to QCA

**Delivering water** for prosperity