



Nogoa Mackenzie Water Supply Scheme

Scheme Summary

Friday 20 October 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



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

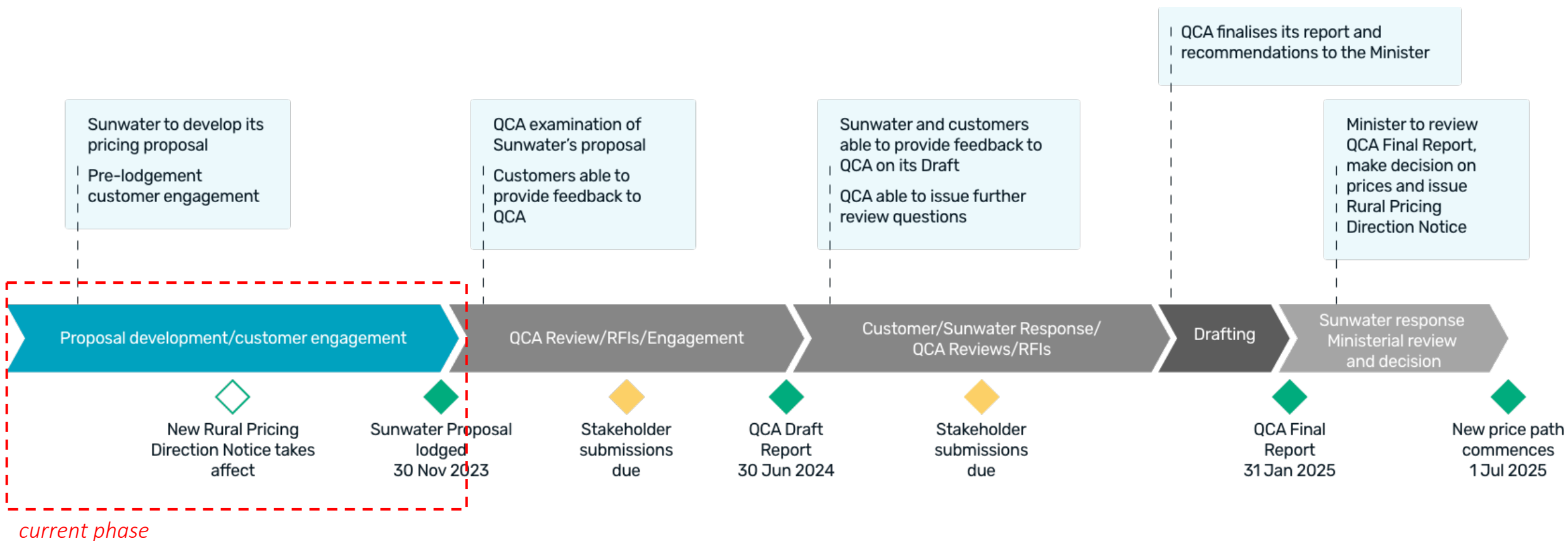
Proposal

Sunwater's final proposal

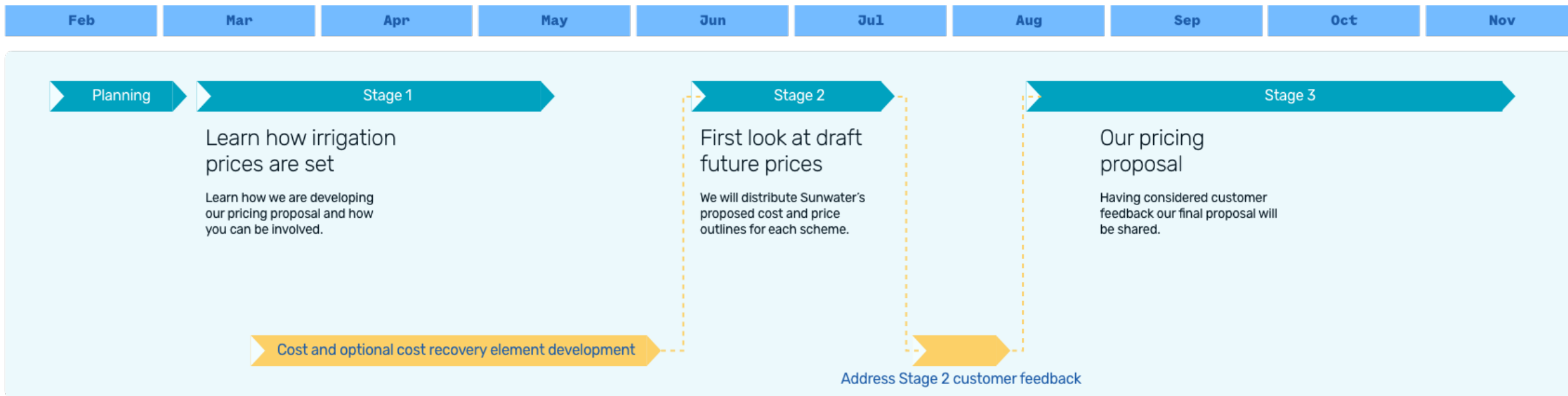
Prices

Cost reflective and recommended

Recap – Timeline to 1 July 2025



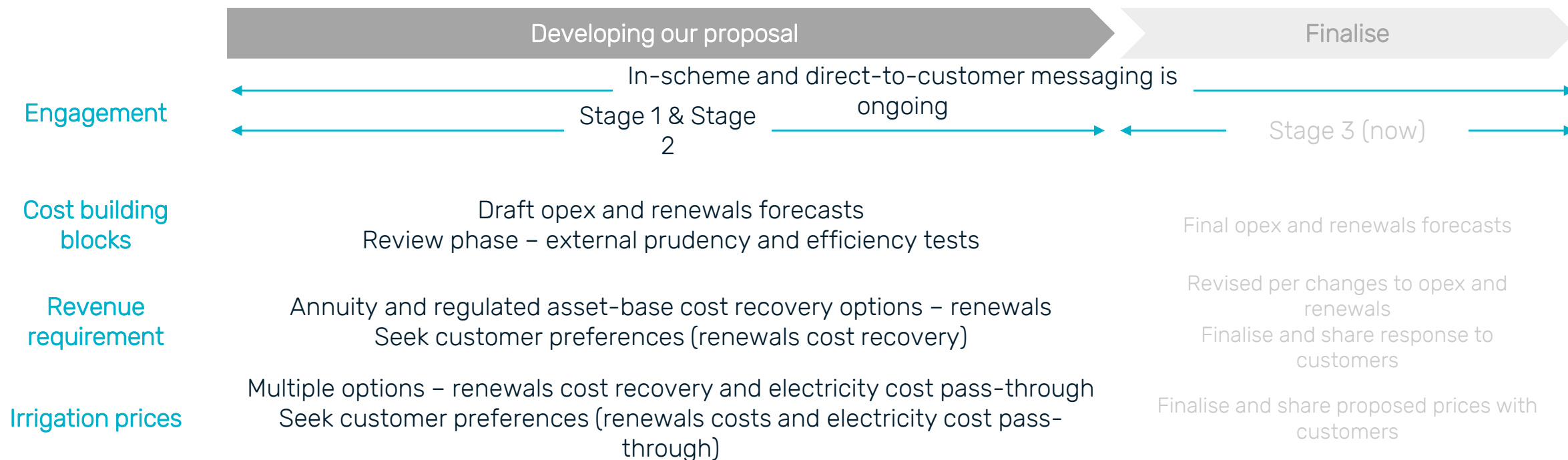
Customer engagement



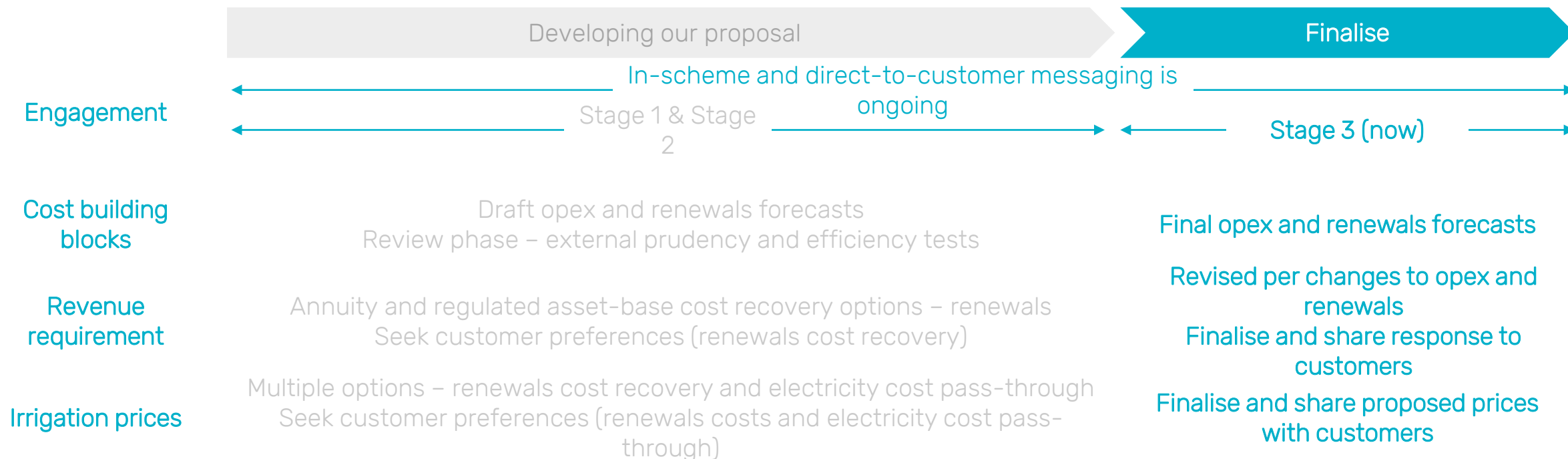
Customer feedback

What customers requested:	What we did:
<ul style="list-style-type: none"> more detailed information on scheme-specific costs including specific details on renewals expenditure 	<ul style="list-style-type: none"> ✓ Our Stage 3 engagement materials include details on scheme-specific opex costs and renewals projects
<ul style="list-style-type: none"> an additional customer meeting 	<ul style="list-style-type: none"> ✓ We hosted an additional meeting on 14 August 2023 in response to a request from the Irrigator Advisory Committee

Our customers have helped shape our proposal

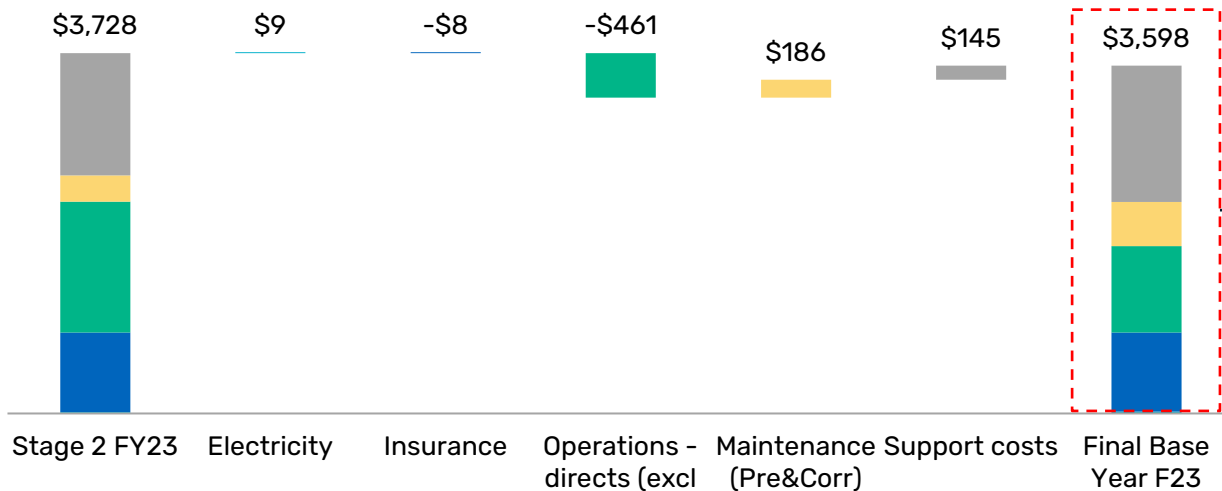


Our customers have helped shape our proposal – now it's ready to finalise



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 (\$140k per annum)
- Inflation forecasts

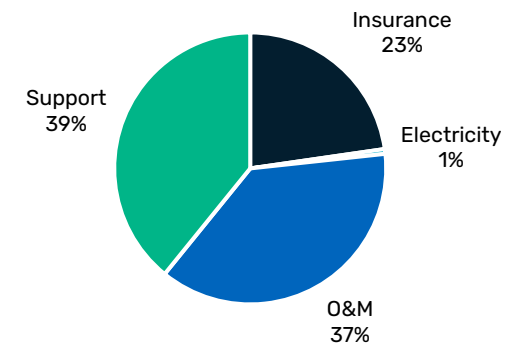
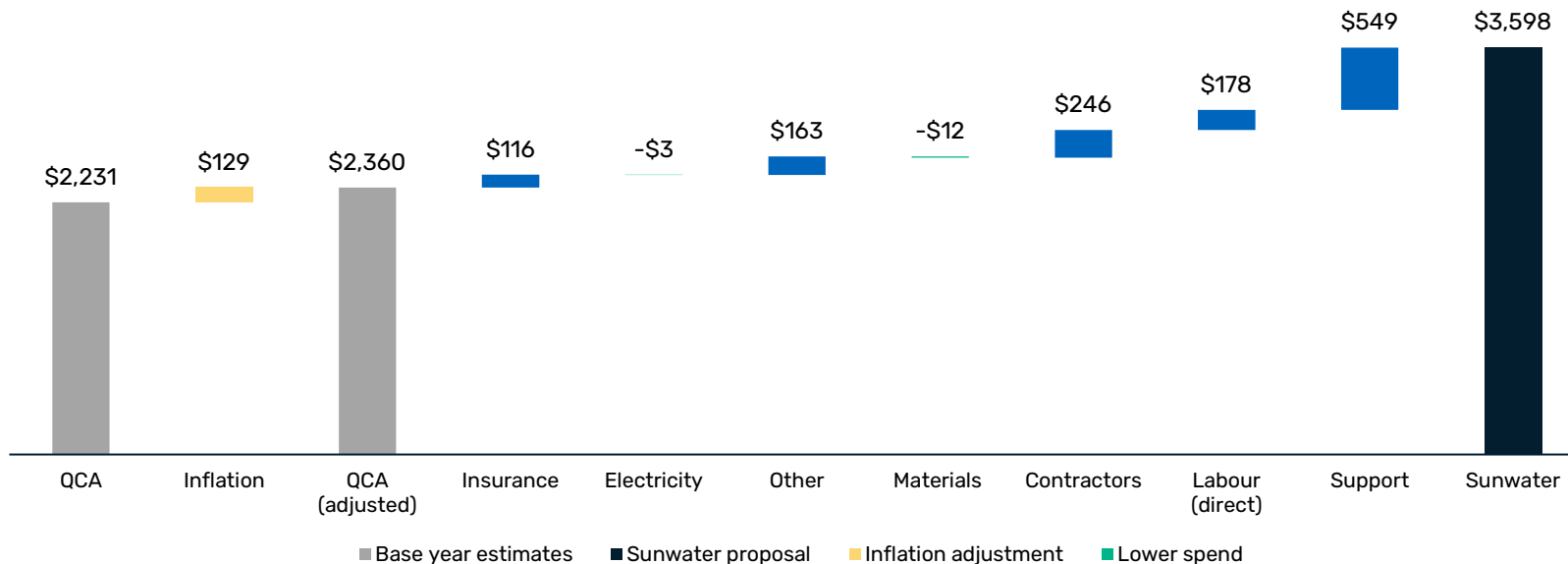
Change

	Electricity	Insurance	Operations - directs (excl elec, ins, IGEM)	Maintenance (Pre&Corr)	Support costs	Final Base Year F23
EOFY	+9	-8	-3	+78	+145	+220
Pricing	+0	+0	-457	+108	+0	-349
Total	+9	-8	-461	+186	+145	-130

Cost categories	2025-26	2026-27	2027-28	2028-29
Insurance	\$1,112.6	\$1,139.0	\$1,164.6	\$1,187.9
Electricity	\$27.1	\$27.7	\$28.3	\$28.9
Ops & Maint	\$1,477.1	\$1,512.8	\$1,544.8	\$1,575.4
Support costs	\$1,682.3	\$1,714.7	\$1,751.7	\$1,787.3
Opex	\$4,299.1	\$4,394.1	\$4,489.4	\$4,579.5

Base year comparison with QCA

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



Base year broken into major spend categories

Renewals expenditure - Current pricing period

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		-\$4,522.6	-\$4,852.7	-\$4,384.5	-\$3,932.1	-\$6,061.8	-\$6,738.0	
Expenditure		-\$638.9	-\$589.6	-\$658.0	-\$3,302.9	-\$1,816.3	-\$1,275.8	
Insurance proceeds								
Annuity Contribution		\$506.5	\$1,270.0	\$1,302.1	\$1,345.1	\$1,405.1	\$1,436.6	
Interest		-\$197.7	-\$212.2	-\$191.7	-\$171.9	-\$265.0	-\$294.6	
Closing Balance¹	-\$4,522.6	-\$4,852.7	-\$4,384.5	-\$3,932.1	-\$6,061.8	-\$6,738.0	-\$6,871.8	

Aggregate spend
-\$8,281.5

1. Sunwater expects to have delivered \$8.3M in renewals activities for the 2019-20 to 2024-25 period.
2. The QCA allowance for the same period was \$4.6M. Revenue Model issued by QCA with its Final Model (January 2020).
3. Closing balance becomes opening RAB balance and is \$6,871.8k.

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

Project name	Year	Value
23NM08-Study Risk Reduction Fairbairn	2023-25	\$1,555
Fairbairn Dam Comprehensive Risk Assessment (T/000679)	2021-23	\$839.7
Fairbairn Crest Anchor Tests	2024	\$667.6

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

★ *Most significant
additions for your
scheme shown on next
slide*



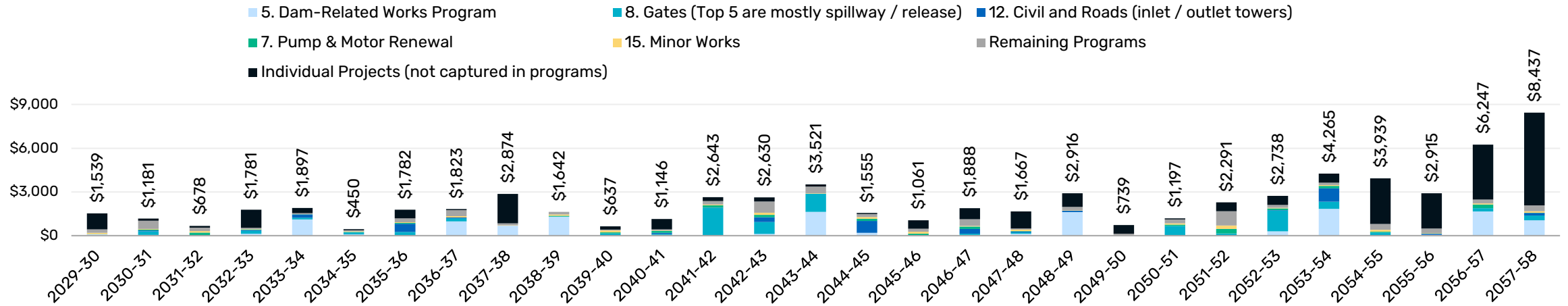
Program	Scope	Range	Recommended
Dam Instrumentation	<ul style="list-style-type: none"> Inconsistencies / gaps in monitoring and management of safety instrumentation across dam sites A risk-based approach for the management and monitoring of instrumentation to provide early warning of the development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

Renewals expenditure – Forecast (four years RAB-aligned)

Category		2025-26	2026-27	2027-28	2028-29	Aggregate	%
18. Dam Instrumentation Program	★	\$2,419.1	\$0.0	\$0.0	\$0.0	\$2,419.1	19%
19. Smart Meter Program	★	\$0.0	\$0.0	\$467.8	\$1,807.1	\$2,274.9	18%
5. Dam-Related Works Program		\$158.3	\$36.9	\$82.4	\$1,039.3	\$1,316.9	10%
20. Dam Safety Management Program	★	\$411.2	\$749.2	\$0.0	\$0.0	\$1,160.4	9%
2. Meter Renewal Program		\$251.3	\$265.7	\$190.5	\$206.0	\$913.5	7%
Remaining Programs		\$708.8	\$1,367.4	\$480.3	\$451.9	\$3,008.3	23%
Sub-total – programs		\$3,948.7	\$2,419.1	\$1,221.0	\$3,504.3	\$11,093.1	86%
Projects not captured in programs		\$0.0	\$0.0	\$1,360.9	\$371.8	\$1,732.7	14%
Total		\$3,948.7	\$2,419.1	\$2,581.9	\$3,876.0	\$12,825.8	100%
<i>Capex</i>		\$3,539.7	\$1,049.2	\$886.4	\$2,132.7	\$7,608.1	59%
<i>Renewals Opex</i>		\$408.9	\$1,369.9	\$1,695.5	\$1,743.3	\$5,217.7	41%

Our review process has lifted the 4-year forecast from \$8.6M to \$12.8M (↑\$4.2M)

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



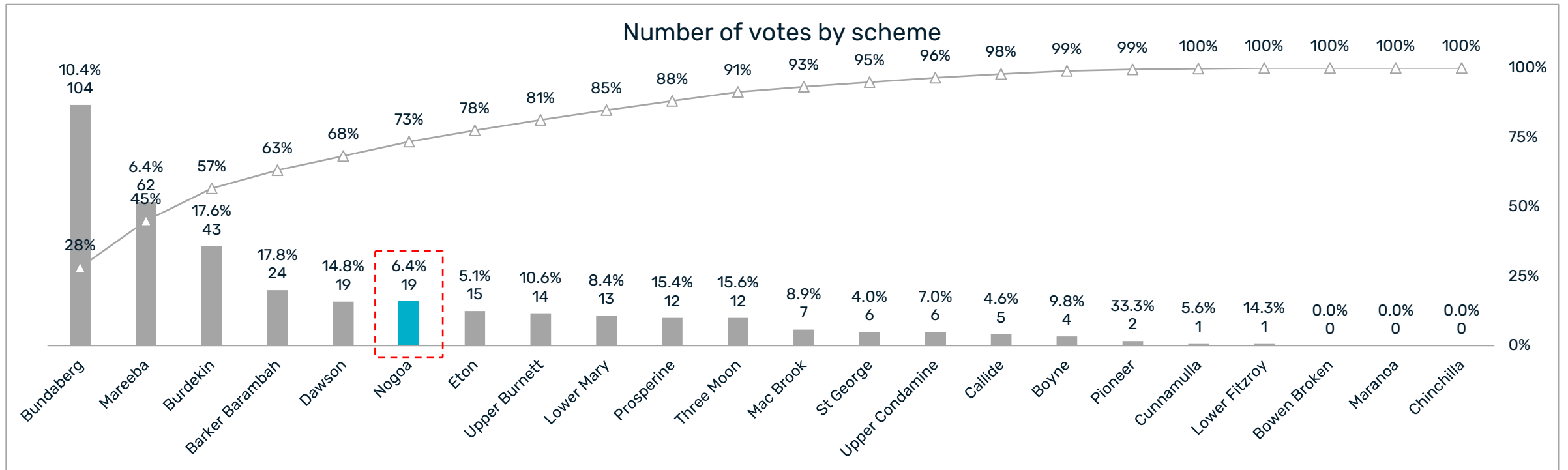
Project name	Commencement year	Total Value	% Total
Spillway Upgrade - Fairbairn Dam	2029	\$6,019	9%
Refurbish Right Bank Outlet Structure (Bullring) - Fairbairn Dam - Outlet Works	2036	\$5,533	8%
Ground Penetrating Radar Survey Spillway Floor - Fairbairn Dam - Spillway	2038	\$3,185	5%
Comprehensive Risk Assessment Comprehensive Risk Assessment - Fairbairn Dam	2037	\$2,567	4%
Refurbish Spillway Bridge - Fairbairn Dam - Spillway	2055	\$2,433	4%
Other	Varies	\$48,343	71%
Total		\$68,080	

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 from \$79M to \$68M (↓\$11M)

What customers told us – feedback process

- 6.4 per cent scheme response rate

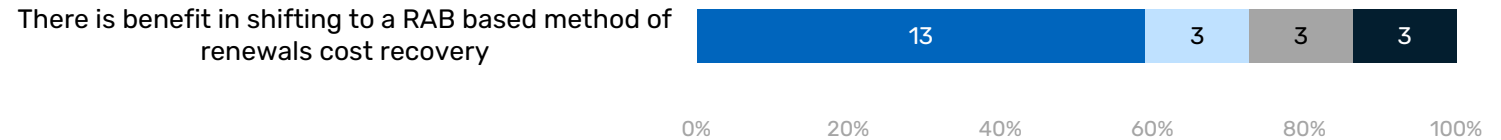


What customers told us – RAB Proposal

- 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

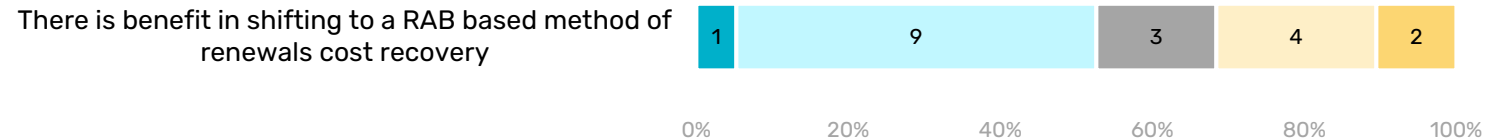
Sentiment by scheme

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



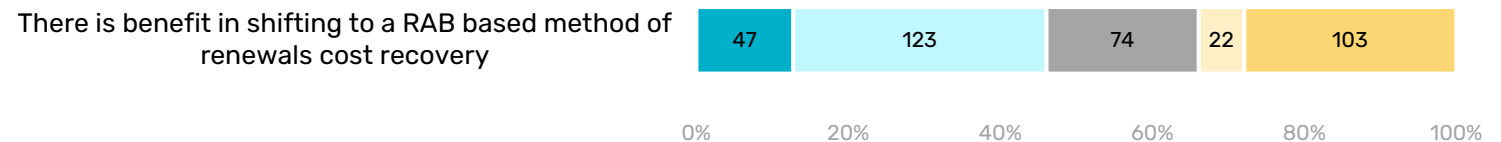
Scheme responses

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



All responses

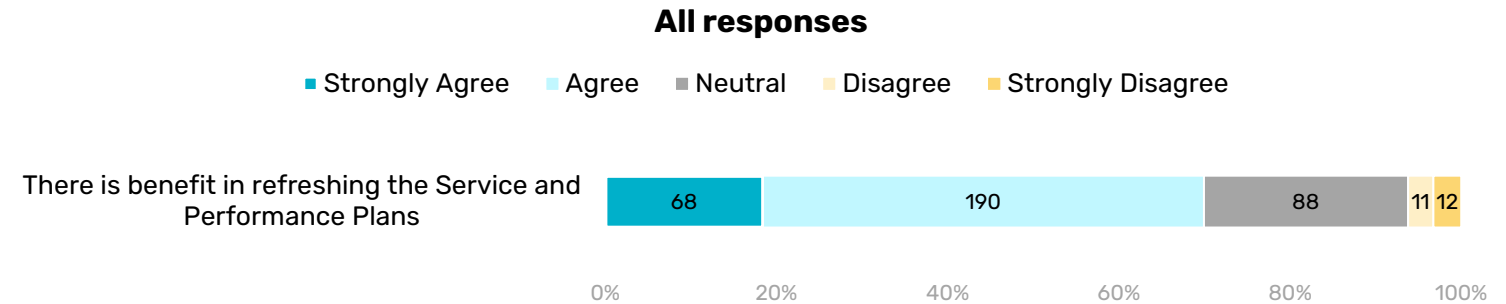
■ Strongly Agree ■ Agree ■ Neutral ■ Disagree ■ Strongly Disagree



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
- Welcome feedback on content



Sunwater's proposal for Nogoia Mackenzie

Total 4-year scheme-level revenue requirement of \$26.8M

Prices that reflect a RAB methodology

Refreshed S&PPs

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

Numbers may not add due to rounding

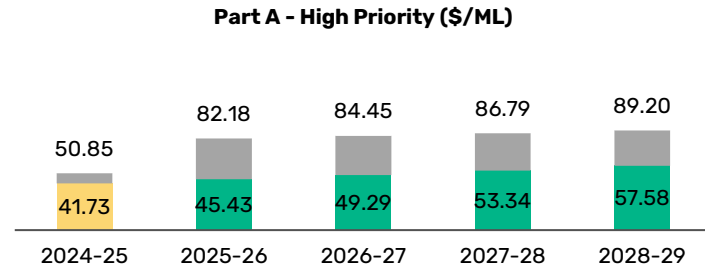
Building block	2025-26	2026-27	2027-28	2028-29	Aggregate	%
Price path related expenditure						
Opex	\$4,299.1	\$4,394.1	\$4,489.4	\$4,579.5	\$17,762.0	66.4%
Renewals opex	\$408.9	\$1,369.9	\$1,695.5	\$1,743.3	\$5,217.7	19.5%
Capital returns	\$450.6	\$620.8	\$693.6	\$764.6	\$2,529.6	9.4%
Tax allowance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Sub-total	\$5,158.6	\$6,384.8	\$6,878.5	\$7,087.4	\$25,509.2	95.3%
Revenue adjustments						
Revenue offsets	-\$107.8	-\$110.9	-\$113.9	-\$116.8	-\$449.4	-1.7%
Insurance review	\$300.6	\$309.2	\$317.8	\$325.7	\$1,253.3	4.7%
QCA fee ¹	\$109.6	\$112.6	\$115.7	\$118.9	\$456.8	1.7%
Sub-total	\$302.4	\$310.9	\$319.5	\$327.8	\$1,260.7	4.7%
Total	\$5,460.9	\$6,695.7	\$7,198.0	\$7,415.2	\$26,769.9	100.0%

Prices

**Nogoa Mackenzie
(local management
supply)**

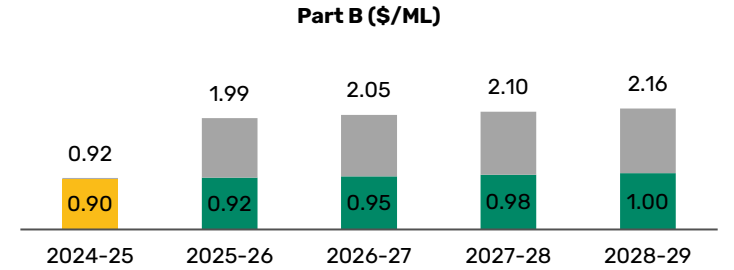
PO Change
-3.0%

Part A (\$/ML)



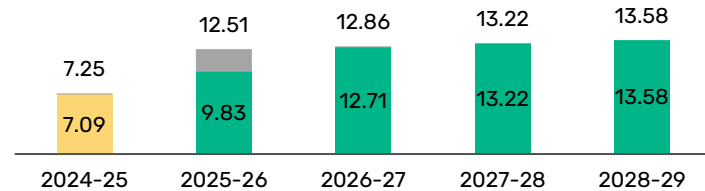
PO Change
-10.1%

Part B (\$/ML)



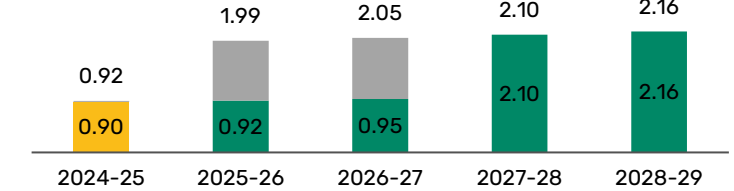
PO Change
-8.8%

Part A - Medium Priority (\$/ML)



PO Change
-10.1%

Part B (\$/ML)

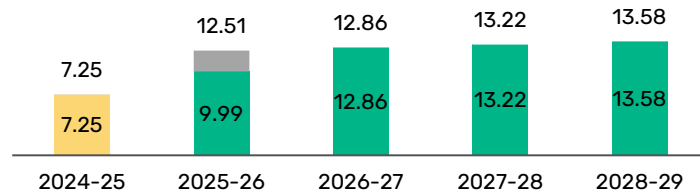


Nogoa Mackenzie

PO Change
-8.8%

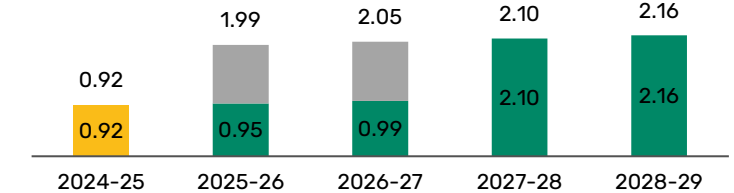
Medium Priority

Part A - Medium Priority (\$/ML)

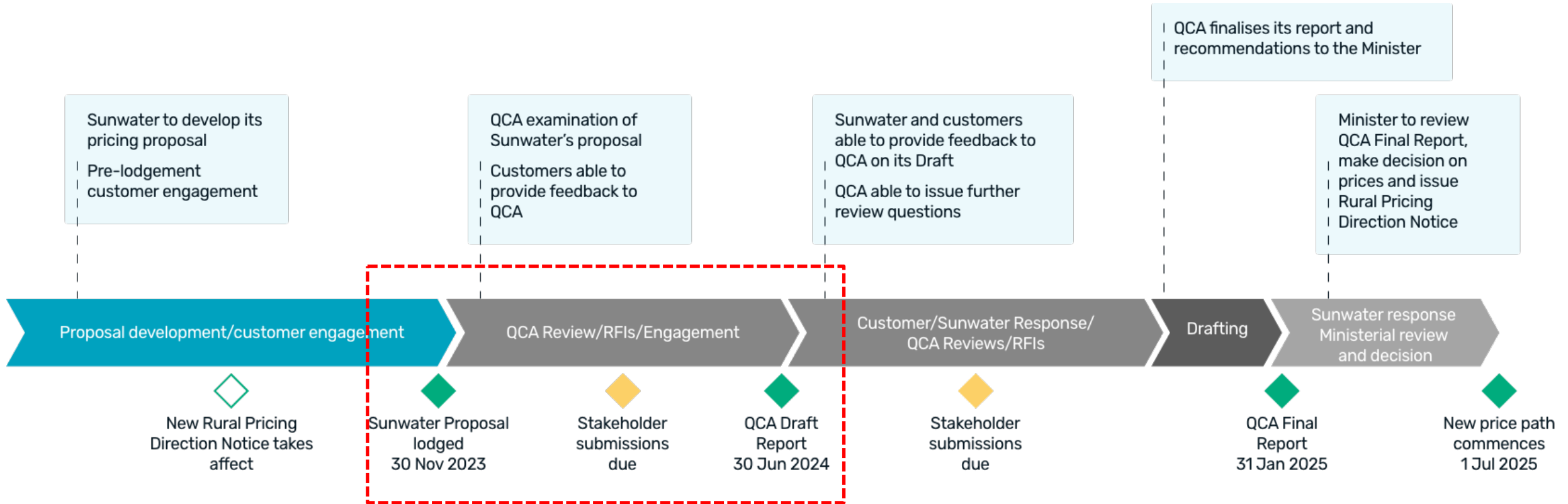


PO Change
-10.1%

Part B (\$/ML)



Recap and next steps



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

Delivering water for prosperity