

## 1. Purpose

The purpose of this document is to detail the ringfencing arrangements that are to be maintained to facilitate the separation of the functions of Sunwater’s Water Broker from Sunwater’s declared monopoly business activities associated with the supply and delivery of water.

## 2. Scope

The Procedure relates to the water trading functions of:

- Sunwater’s water broker, Ruralco
- General Manager Corporate Development
- Customer Experience Manager
- Customer Accounts & Compliance Manager.

## 3. Objectives

The objectives of the Sunwater’s water trading are:

- Commercial:
  - to trade Sunwater’s water allocations at a fair market price
  - to provide a reasonable return on the resources used in holding and trading water allocations
- Economic
  - to facilitate the development of a more efficient market
  - to provide water allocations to the wider community for efficient economic use.

## 4. Organisational/Functional Structure

Sunwater has engaged a Water Broker through a brokerage agreement. The Water Brokerage agreement is managed, on Sunwater’s side, by the General Manager Corporate Development (GMCD).

The management of the Water Broker by GMCD, separates the water trading functions from the water supply services provided by Sunwater, which report through the Executive General Manager Operations, the General Manager Customer Experience and the General Manager Customer Accounts, and is consistent with ringfencing objectives.

## 5. Information exchange

The GMCD is the sole contact for the Water Broker with regard to setting prices and for trading strategy. Sunwater’s Customer Experience team deals with the broker for the management of the transactions and reconciliation of trading revenue. All parties are responsible for ensuring that no confidential market-sensitive information is given to the Water Broker.

The Water Trading Ringfencing Guideline contains lists of confidential customer and market-sensitive information which can not be given to the Water Broker. The GMCD must be alert to this requirement at all times.

## 6. Water Trading Governance Framework

### 6.1. Code of Conduct

The water trading activities are governed by the Water Trading Code of Conduct, which is:

- available on Sunwater’s website
- approved by the shareholding Ministers

- updated every two years.

Sunwater and the Water Broker must comply with the Water Trading Code of Conduct. The Water Broker must also perform its roles and undertake its responsibilities in accordance with its Water Brokerage agreement with Sunwater.

## 6.2. Compliance with the Water Act

Sunwater and the Water Broker must comply with the Water Act 2000, including all Interim and final Resource Operations Licence requirements for all schemes where they will trade water.

## 6.3. Water Trading Strategies

At the commencement of each water year, the GMCD is required to develop the Portfolio Strategy for approval by the Board and the Scheme Trading Strategy for the approval of the Chief Executive Office. Further details on this process are contained in “Water Trading Processes” [HB Ref: 2509913].

## 6.4. Reporting

Each quarter, the GMCD is to prepare a report detailing trading activities for the previous period for each scheme. The report outlines progress against the water trading strategies. The report will be provided to the Board.

## 6.5. Regular Audit

Water trading activities will be audited for compliance with the Code of Conduct every three years<sup>1</sup> by an independent third party. The report of the auditor will be made available to Sunwater’s Chief Executive, Board of Directors and the Ministers for the Queensland Competition Authority. It will also be made available on Sunwater’s website.

## 7. Dispute Resolution

All disputes regarding Sunwater’s compliance to its Code of Conduct will be conducted in accordance with the Water Trading Dispute Resolution Process.

## 8. Accounting Separation

All expense and income streams associated with water trading have a separate cost centre and budget. The costs and income generated from the water trading function will be incorporated into the monthly Board of Directors reports and quarterly reports for the shareholding Ministers.

Income generated by Sunwater’s water trading must be segmented by:

- Trading Product (temporary trade, permanent trade or lease)
- Water Supply Scheme
- Costs associated with water trading activities including:
  - Water allocation holding costs
  - Commission
  - Cost of sales

<sup>1</sup> Note: The Revised Code of Conduct (2019) has not been approved at the time of this document’s updating. If it is not approved, the water trading activities need to be audited annually, in accordance with the previous code of conduct.

## 9. Trading documentation

### 9.1. Standard Contracts

#### 9.1.1. Temporary Trading

Temporary trading contracts are to be in the form of the Water Broker's standard contract.

#### 9.1.2. Permanent Sales

For each permanent sale, the parties are to enter into the standard Sunwater Water Allocation Sale Contract (SW & BW). Any special conditions requested by the purchaser are to be considered on a case-by-case basis. Contracts are to be signed according to the Delegations Matrix.

Permanent trades must be approved by the Department of Natural Resources in accordance with the Relevant Resource Operations Plan or Interim Resource Operating Licence.

The Water Broker will also be required to complete a Declaration of Interests (Refer section 9.2 below) when required.

#### 9.1.3. Term Allocation

Standard Sunwater Supply and Term Allocation contracts will be executed in accordance with the Delegations Matrix. Water allocation leases will be approved in accordance with the relevant Resource Operations Licence or Interim Resource Operations Plan published on the Department of Natural Resources website.

#### 9.1.4. Settlement Statement

The Water Broker is to provide a settlement statement to Sunwater on completion of each transaction. The settlement statement will contain at least the following information:

- the date of the trade
- a unique transaction ID number
- the order ID number
- quantity of water associated with the allocation
- a description of the water allocation – scheme, zone etc
- the price per ML and total
- the processing fee and GST
- the total amount of the transaction after all fees, GST etc
- the EFT processing number for funds transfer.

The settlement statement will be given to the Customer Accounts team within Sunwater.

### 9.2. Independence

The Water Broker is generally independent, but may have potential, real or perceived conflicts of interest for some water trades. In such situation, the Water Broker must complete a Declaration of Interests prior to the allocations being offered on its website. The Declaration is to be provided to the General Manager – Corporate Development, who will determine if any further action is to be taken.

### 9.3. Billing

The billing of customers following each water trade will be the responsibility of Sunwater's Customer Accounts team.

**9.4. Ringfencing of Declared Monopoly Activity Information**

Sunwater’s Water Broker will be physically and digitally removed from all information relating to Sunwater’s water delivery customers. The Water Broker will:

- **not** have system access to Sunwater’s server, email system, SWIMS and SAP systems
- **not** have access to any file association with the provision of a monopoly activity
- **not** be permitted to discuss with any Sunwater personnel via the telephone or email any information relating to water supply activities other than that which is available from public sources. To facilitate this all the Water Broker’s emails will be kept.
- The Water Broker will be physically located remotely from all Sunwater offices.

**9.5. Disputes and Complaints**

Sunwater and the Water Broker must comply with the Dispute Resolution process and complaints handling procedures contained in “*Water Trading Dispute Resolution Processes*”.

**9.6. Public Reporting**

A copy of the Annual audit report (excluding commercial information) will be available on Sunwater’s internet site. Any breaches of the Code identified in the report of the independent auditor will also be available on the site.

Aggregate trading information will also be reported in the Sunwater internet site and in Sunwater’s Annual Report.

**10. Approval and Review Details**

<b>Owner:</b>	GM CD	<b>Issue Date:</b>	June 2020	<b>Document No:</b>	2524264
<b>SME:</b>	MCE	<b>Next Revision Date:</b>	June 2022	<b>Reference No:</b>	CORP PRO 22

