

Water Trading Ringfencing Arrangements Procedure

CORP PRO 22

Creation, Review and Approval

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eDMS	2903171.v4	Effective Date	June 2025	Next Review Date	June 2028

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1. Purpose

The purpose of this document is to outline the ringfencing arrangements required to ensure the separation of Sunwater's Water Broker functions from its declared monopoly business activities associated with the supply and delivery of water.

2. Scope

This procedure relates to the water trading and approvals functions of:

- Sunwater's water broker, Ruralco
- Water Trading Manager
- Customer Interactions team
- Billing & Compliance team
- Commercial Customer team.

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 the Ruralco Water Brokerage Agreement managed internally by the Water Trading Manager.

The management of the water broker by the Water Trading Manager separates the water trading functions from the water supply services provided by Sunwater, which report through the Executive General Manager Operations, the Executive General Manager of Customer and Stakeholder Relations, the General Manager Commercial Customers & Analysis and the Customer Accounts & Compliance Manager and is consistent with ringfencing objectives.

5. Information exchange

The Water Trading Manager is the sole contact between Sunwater and the water broker, handling pricing and trading strategy. Sunwater's Billing & Compliance Team, Customer Interactions Team, and occasionally the Commercial Customer Managers, deal 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 cannot be given to the water broker. The Water Trading Manager 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 as needed.

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 Water Trading Manager is required to develop the Annual Seasonal and Permanent Water Trading Directions for the approval by the Chief Executive Officer. The Trading Directions comply with Sunwater's Water Trading Strategy and Policy.

6.4. Regular Audit

Water trading activities will be audited for compliance with the Code of Conduct every three years¹ by an independent third party. Findings will be made available to Sunwater's Chief Executive, Board and Sunwater's shareholding Ministers. 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 as Water Sales is a separate business function.

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 a Sunwater Water Allocation Sale Contract. Any special conditions requested by the purchaser, or by Sunwater as a requirement of the sale, are to be considered on a case-by-case basis. Contracts are to be signed according to the Delegations Matrix, with a Declaration of Interests completed when required (Refer section **Error! Reference source not found.** below).

9.1.3. Term Allocation

Standard Sunwater Supply and Term Allocation contracts will be executed in accordance with the Delegations Matrix.

9.1.4. Settlement Statement

The water broker provides a settlement statement to Sunwater for 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 submitted to Sunwater's Customer Accounts team.

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 to the market. This declaration must be submitted to the General Manager Commercial Customers & Analysis, who will determine if any further action is to be taken.

10. 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, billing systems, asset systems, 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, other than the Water Trading Manager, 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.

11. 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*".

12. Public Reporting

A copy of the audit report (excluding commercial information) will be available on Sunwater's website. Any breaches of the Code identified by the independent auditor will also be available on the site. Additionally, aggregate trading information will report in the Sunwater internet site and in Sunwater's Annual Report.