

# **Upper Condamine Water Supply Scheme**

**Scheme Summary**

## **Irrigation pricing proposal**

**1 July 2025 to 30 June 2029**

## Context

Upper Condamine Water Supply Scheme (Upper Condamine) 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 2020<sup>1</sup>, 2021<sup>2</sup> and 2023<sup>3</sup>.

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

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

Upper Condamine holds total water access entitlements (WAE) of 33,960ML (**Figure 1**). Most entitlements are medium priority and held by customers who use water for irrigation purposes.

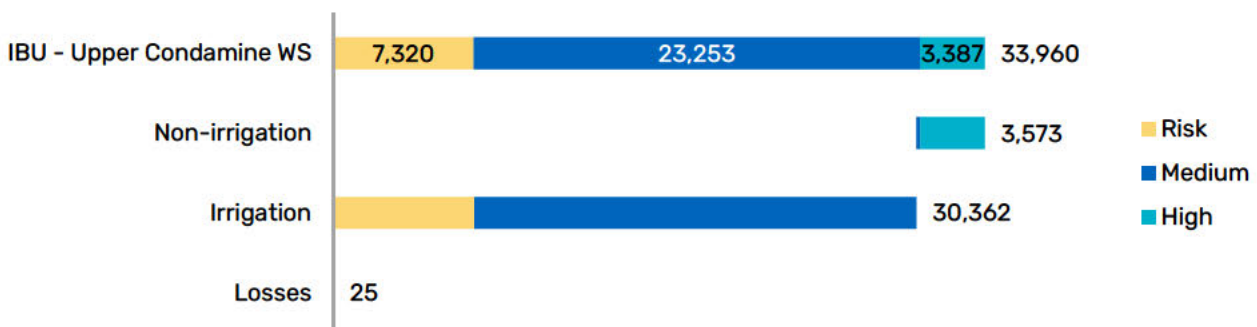
Total entitlements can also be split between Sandy Creek or Condamine River, which contains 19,075ML; and North Branch (including Risk A priority), which accounts for the remaining 14,885ML.

Long-term (20-year) average annual usage in the scheme is 13,936ML per annum. This is equivalent to 41 per cent of total WAE, down from 45 per cent at the time of the last irrigation pricing review.

## Tariff groups

Upper Condamine has three different tariff groups, which are differentiated on cost and level of service, as set out in **Table 1**.

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



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

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

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

Table 1 - Upper Condamine tariff groups

| Tariff group                   | WAE (ML)                    | Basis for cost differentiation   | Pricing exclusions |
|--------------------------------|-----------------------------|--|--------------------|
| Sandy Creek or Condamine River | 19,075                      | <i>Cost</i> - Customers in this tariff group do not benefit from electricity consumption at the Yarramalong pump station. Electricity expenditure at this pump station is material.                                    | Electricity costs  |
| North Branch                   | 14,885                      | <i>Cost</i> - Customers in this group benefit from the Yarramalong pump station.   | Nil                |
| North Branch – Risk A          | 7,320<br>(subset of 14,885) | <i>Cost and level of service</i> - North Branch – Risk A entitlements have a lower priority than medium priority. They are more closely aligned with the characteristics of water harvesting than supplemented supply. | Renewals costs     |

# Proposal in summary

During engagement with scheme customers, Sunwater outlined 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 two potential cost recovery changes with implications for customer prices.

## Stage three engagement update

Sunwater notes that final prices presented in Stage 3 included indicative Part E (fixed electricity charges) and Part F (consumption-based electricity charges) alongside Part A / C and Part B / D charges. In some instances, presenting this material to customers led to concerns that adopting a pass-through would not be in their best interests, contrary to their earlier feedback.

Consistent with our position throughout our engagement with customers, Sunwater does not wish to pursue an electricity cost pass-through mechanism in the absence of customer support.

As a result of our Stage 3 engagement activities customers in with Upper Condamine, indicated (refer **Appendix**) they no longer support the ECPT proposal.

Balancing what we heard from customers with the benefits and risks of these changes we propose to:

1. recover renewals expenditure via a regulated asset base (RAB) methodology
2. refresh our Service and Performance Plans (S&PPs)
3. rescind our proposal to introduce an electricity cost pass-through mechanism.

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

## Proposed prices by tariff group

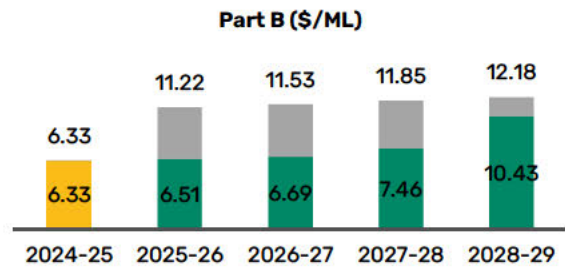
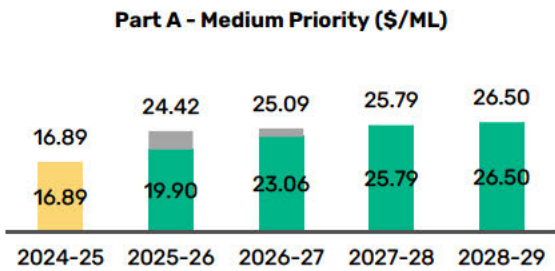
The prevailing price for 2024-25 is shown for comparison purposes with forecast prices for the review period. All discounts have been removed for ease of comparison. The green bars within the below chart reflect recommended irrigation prices for the price path period. Values shown at the top of the chart 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 and an electricity cost pass-through mechanism.

**Legend:**

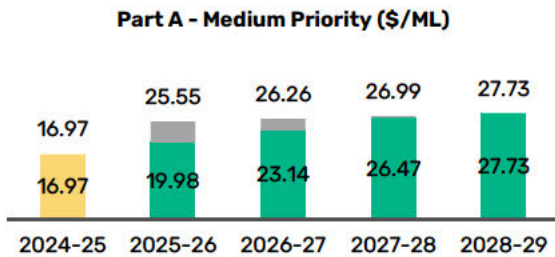
- / ■ Irrigation price (gazetted)
- / ■ Recommended irrigation price (proposed)
- / ■ Cost reflective irrigation price (proposed)

## Upper Condamine – Sandy Creek or Condamine River

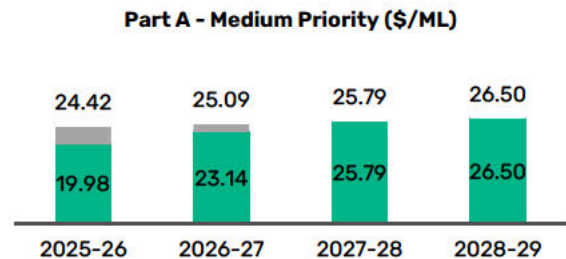


## North Branch

Prices *inclusive* of electricity

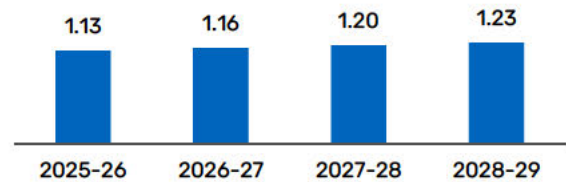


Prices *under pass-through*

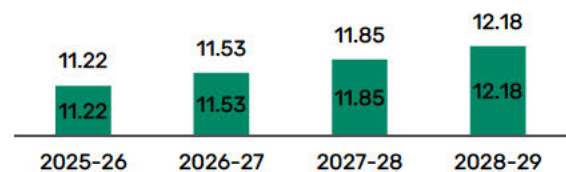


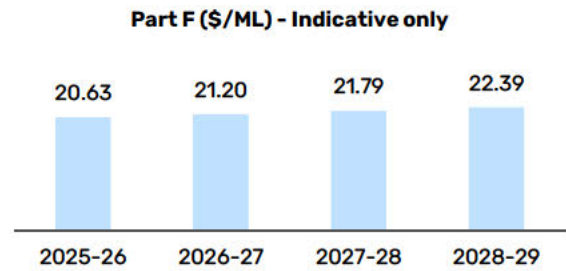
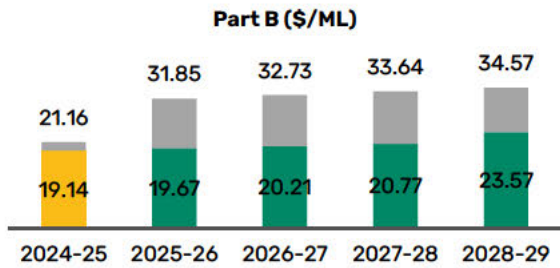
This charge will be split into a Part A and a Part E charge under a pass through shown to the right.

**Part E (\$/ML) - Indicative only**



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

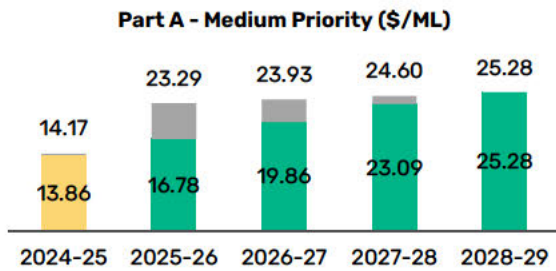




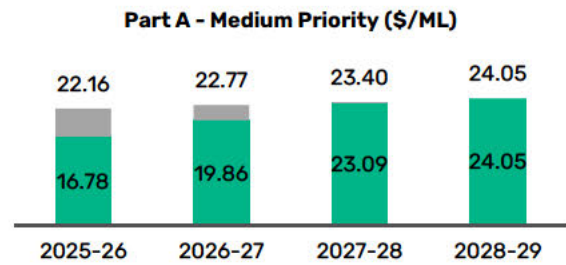
This charge will be split into a Part B and a Part F charge under a pass through shown to the right.

## North Branch – Risk A

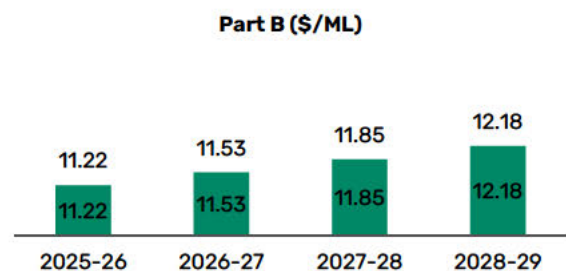
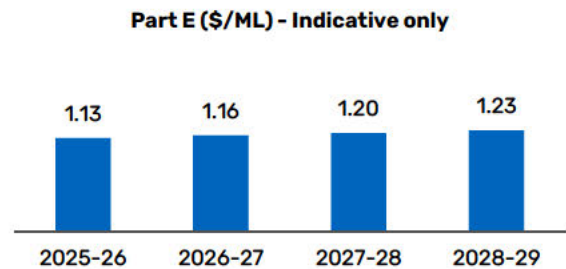
### Prices *inclusive* of electricity

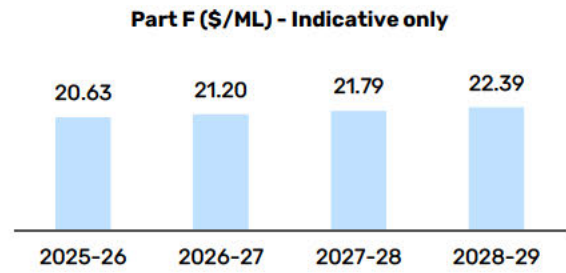
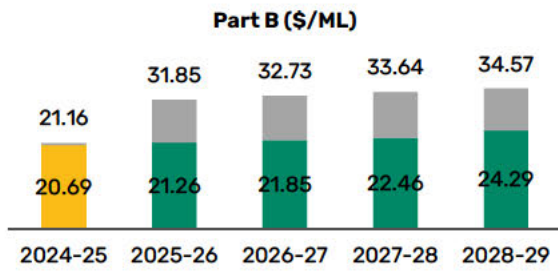


### Prices under pass-through



This charge will be split into a Part A and a Part E charge under a pass through shown to the right.





This charge will be split into a Part B and a Part F charge under a pass through shown to the right.

# Engagement

Sunwater contacted all Upper Condamine irrigation customers multiple times during the development of the pricing proposal.

## 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, by hosting:

- face-to-face customer meetings in this scheme during each of the three stages of engagement
- three online forums open to irrigation customers in all schemes
- an additional all-in meeting for this scheme, in response to a request by the Customer Advisory Committee.

We distributed and published project communication materials, including fact sheets and copies of presentations delivered at meetings, to ensure all customers had the opportunity to:

- learn about how irrigation prices are set
- review draft future costs and prices
- learn about and provide feedback on proposed changes to:
  - Service and Performance plans
  - renewals expenditure recovery through irrigation prices
  - a permanent, symmetrical electricity cost pass-through mechanism.



- ✓ Dedicated project website and email



- ✓ Emails and SMS sent about proposals and GoVote process
- ✓ Invitations sent via email, SMS and letter
- ✓ SMS reminders



- ✓ Five fact sheets
  - RAB
  - ECPT
  - S&PPs
  - Stage 1 & 2 scheme specific fact sheets



- ✓ 1 formal customer submission in response to Sunwater's proposals
- ✓ 1 formal Sunwater response
- ✓ 1 scheme summary report



- ✓ Irrigation Customer Invoice Calculator



- ✓ 3 face to face meetings
- ✓ 3 online meetings
- ✓ 1 additional online meeting at the request of the CAC



## What we heard

During our meetings we discussed matters of interest (**Table 2**) with Upper Condamine customers. Generally, we were able to address questions and queries in the meeting. Where this was not possible, Sunwater captured the query / request and responded later. Based on feedback, key actions undertaken for Upper Condamine included:

- hosting a supplementary scheme-based customer meeting
- detailing additional information on renewals expenditure in our Stage 3 engagement material on future costs for the scheme (depicted by cost spikes in the renewals forecast).

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

## GoVote

Six Upper Condamine customers responded to the online survey, representing approximately seven per cent of eligible irrigation customers.

Customers received multiple communications about the opportunity to participate from both Sunwater and the provider, GoVote. 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 2 - Key customer interests

| Forum details   | Attendees | Key customer interests   |
|---|-----------|--|
| <b>Stage 1 engagement</b>   |           |  |
| <p><i>Forum:</i> Face-to-face engagement with <u>Upper Condamine</u> customers</p> <p><i>Theme:</i> Learn how irrigation prices are set and how you can be involved in influencing Sunwater's pricing submission to the QCA</p>   | 6         | Water trading Water meters Water ordering  |
| <p><i>Forum:</i> Teams webinar, <u>all schemes</u> invited</p> <p><i>Theme:</i> Learn how irrigation prices are set and how you can be involved in influencing Sunwater's pricing submission to the QCA</p>   | 12        | How prices are set - general   |
| <b>Stage 2 engagement</b>   |           |  |
| <p><i>Forum:</i> Face-to-face engagement with <u>Upper Condamine</u> customers</p> <p><i>Theme:</i> Draft future prices and the following proposals for customer feedback:</p> <ul style="list-style-type: none"> <li>• changes to Service and Performance plans</li> <li>• changes to the way renewals expenditure is recovered through irrigation prices</li> <li>• a permanent, symmetrical electricity cost pass-through mechanism in seven schemes.</li> </ul> | 3         | Operational expenditure, including indirect / support costs ECPT - administration Customer engagement - feedback process and CACs Cost recovery model Increased prices - impacts on customers Supplementary scheme meeting requested |
| <p><i>Forum:</i> Supplementary <u>Upper Condamine</u> Teams meeting at request of Customer Advisory Committee</p> <p><i>Theme:</i> Draft future prices and proposals for customer feedback</p>  | 3         | RAB v annuity - forecast cost spikes and impact on prices under each methodology   |
| <p><i>Forum:</i> Teams webinar, <u>all schemes</u> invited</p> <p><i>Theme:</i> Draft future prices and proposals for customer feedback</p>   | 15        | Community Service Obligation   |

| <b>Stage 3 engagement</b>  |   |   |
|--|---|---|
| <p><i>Forum:</i> Face-to-face engagement with <u>Upper Condamine</u> customers</p> <p><i>Theme:</i> Outline Sunwater s pricing proposal, having taken into account customer feedback and preferences</p> | 3 | Impacts of ECPT on prices Request for ECPT trial to be extended |
| <p><i>Forum:</i> Teams webinar, <u>all schemes</u> invited</p> <p><i>Theme:</i> Outline Sunwater s pricing proposal, having taken into account customer feedback and preferences</p>                     | 7 | RAB v annuity   |

## Other feedback

Central Downs Irrigators Ltd wrote on behalf of its members, expressing views / requesting clarification on aspects of the GoVote platform, RAB proposal, proposed increases in costs and annuity balances.

A copy of their correspondence and Sunwater's response is appended to this document.

## 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**, **Figure 3** and **Figure 4**), 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

This proposal was put forward as a change to all water supply schemes. Considering feedback from all sources, and the benefits to be gained, Sunwater proposes to adopt the refreshed S&PP format and process.

Our full reasoning is outlined in Sunwater's pricing submission.

**Figure 5** reproduces the overall responses we received during our GoVote process.

## Proposal to recover electricity costs via a pass-through

This was the only proposal Sunwater committed to evaluating and adopting on a scheme-by-scheme basis.

Upper Condamine North Branch customers were able to provide feedback on the electricity cost pass-through mechanism proposal. Two "strongly agree" responses were received – accounting for ten per cent of eligible North Branch customers.

Following feedback during Stage 3 engagement, Sunwater does not propose to adopt an ECPT mechanism for the North Branch and North Branch Risk A tariff groups.

## Service standards

The current service standards that apply for the Upper Condamine scheme were included as part of our Stage 2 engagement and are reproduced in **Table 3**. These are the customer service standards that drive the work we do and influence operations, maintenance, and renewals expenditure in this scheme.

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

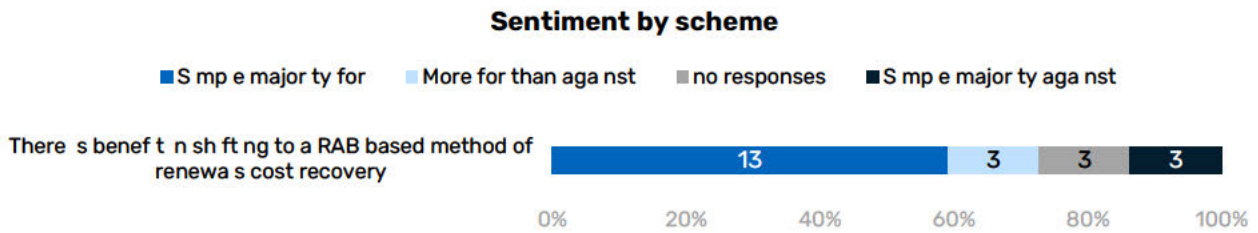


Figure 3 - How Upper Condamine responded to the RAB proposal – question and responses

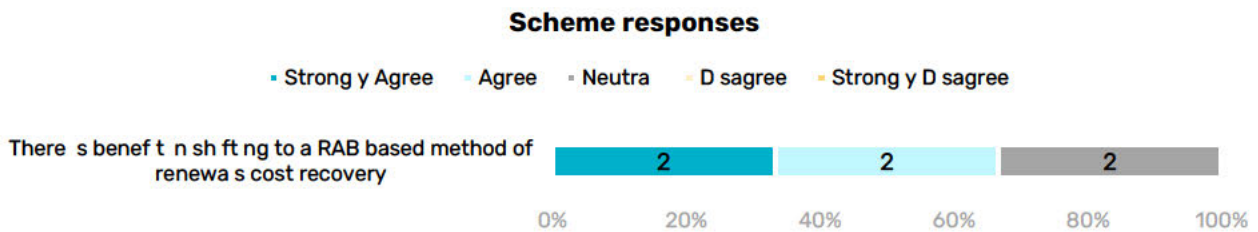


Figure 4 - How Sunwater’s irrigation customers responded to the RAB proposal – question and responses

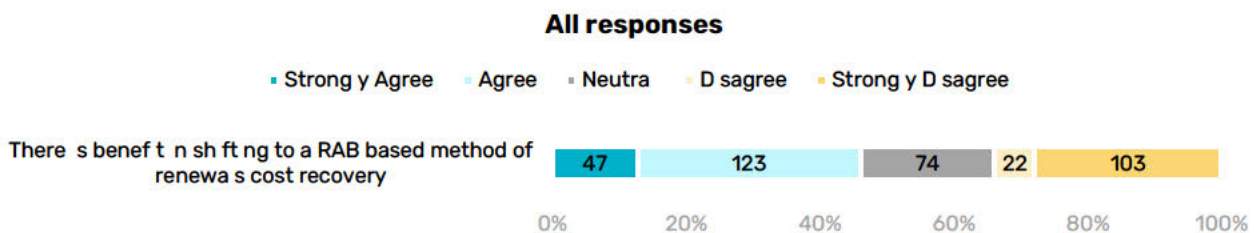


Figure 5 - How Sunwater’s irrigation customers responded to the S&PP proposal – question and responses

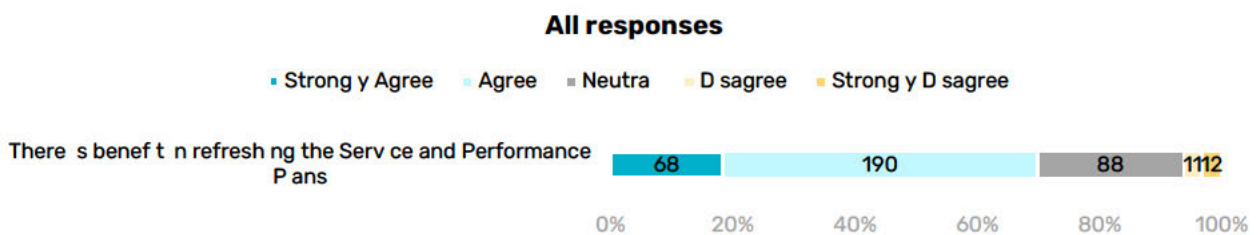


Figure 6 - How Upper Condamine customers responded to the ECPT proposal – question and responses

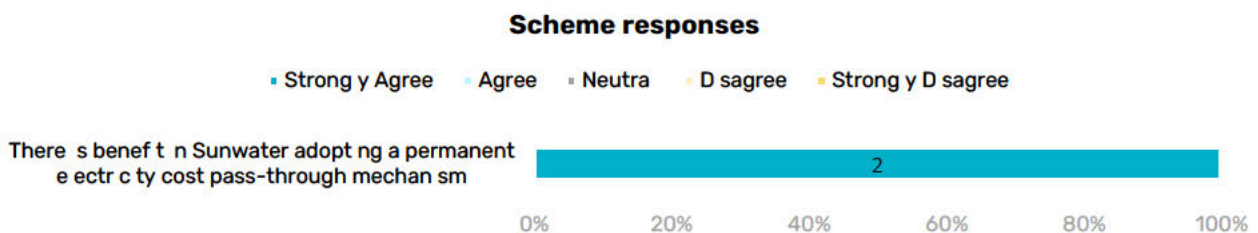


Table 3 - Service standards for Upper Condamine

| 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  | 4 days  |
|   | Outside Peak Demand Period   | 7 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 Upper Condamine 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 \$1.896M is shown on **Figure 7** and is \$0.34M (22 per cent) higher than the QCA’s allowance for the same year (after adjustment for actual inflation).

Key drivers of this difference include:

- other expenditure (which includes land tax, rates and vehicle leasing which was previously captured under support costs) – accounts for 39 per cent of the uplift
- direct labour – accounts for 27 per cent of the uplift
- associated support costs – account for 23 per cent of the uplift.

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 Upper Condamine opex forecast for the price path period is shown in **Table 4**.

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 7**) and apply assumptions relating to inflation plus a step change in opex associated with our billing system renewal.

**Table 5** 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.

Figure 7 - Scheme level breakdown of difference between Sunwater's base year and QCA allowance (2022-23)

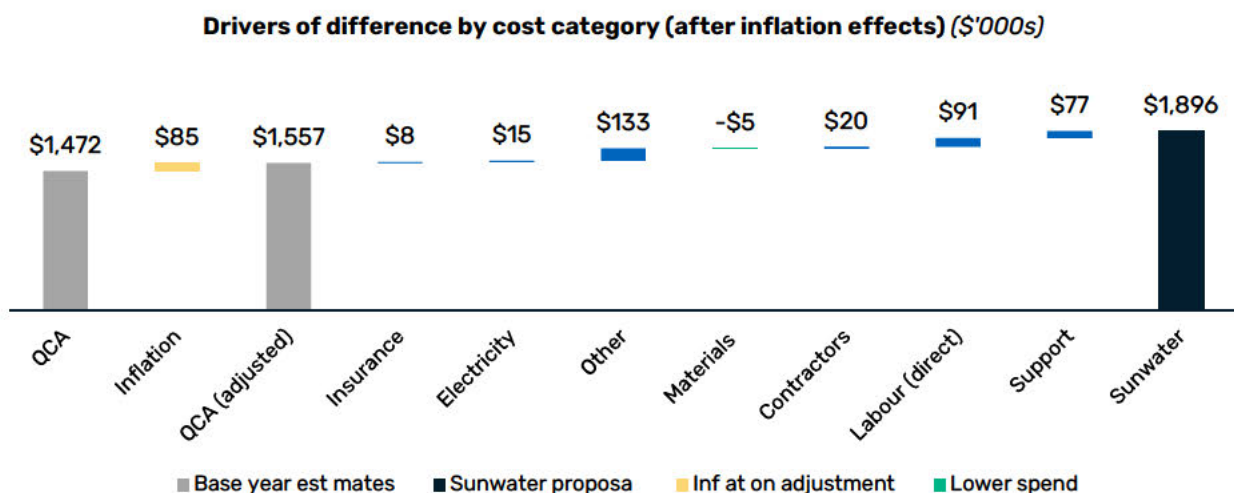
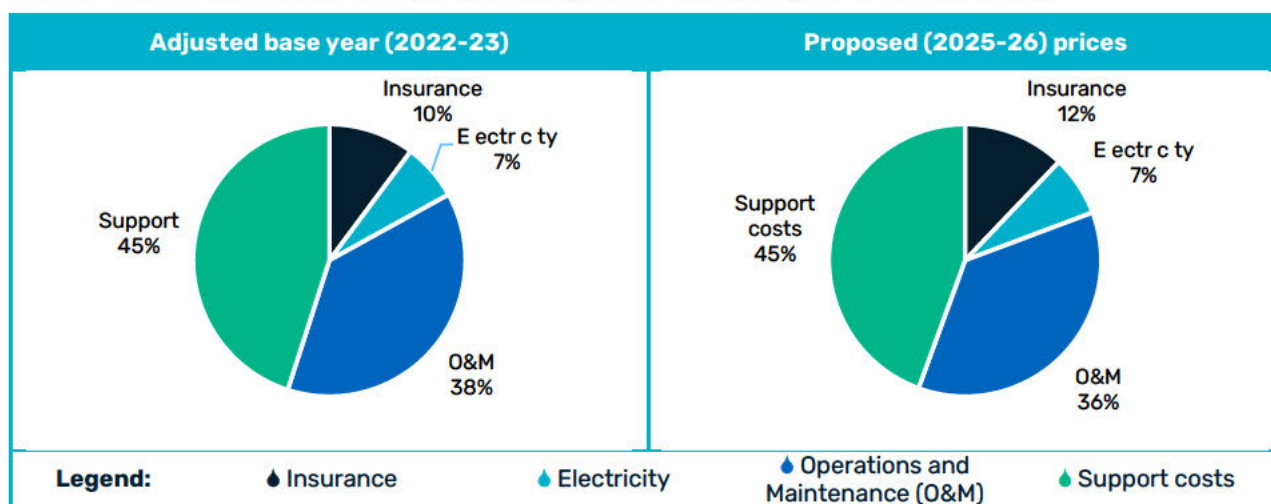


Table 4 - Upper Condamine opex forecasts for price path period (\$'000s)

| Cost categories                         | 2025-26          | 2026-27          | 2027-28          | 2028-29          |
|---|------------------|------------------|------------------|------------------|
| Insurance                               | \$263.1          | \$269.4          | \$275.4          | \$280.9          |
| Electricity                             | \$155.8          | \$159.5          | \$163.6          | \$166.9          |
| Operations and maintenance <sup>1</sup> | \$787.6          | \$806.6          | \$823.6          | \$839.9          |
| Support costs                           | \$964.9          | \$986.5          | \$1,007.5        | \$1,027.7        |
| <b>Opex - BST sub-total</b>             | <b>\$2,171.4</b> | <b>\$2,222.0</b> | <b>\$2,270.2</b> | <b>\$2,315.5</b> |
| Renewals opex                           | \$12.4           | \$630.0          | \$1,239.8        | \$451.5          |
| <b>Opex total</b>                       | <b>\$2,183.7</b> | <b>\$2,852.0</b> | <b>\$3,510.0</b> | <b>\$2,767.1</b> |

Note 1: Includes preventative and corrective maintenance categories.

Table 5 - Relative contribution of major opex categories to total opex (prior to cost transfers)



Forecast premium increases mean that insurance costs will account for a more significant portion of total opex for Upper Condamine 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.

## Current period (plus roll-forward)

Sunwater expects to have delivered \$5.6M in renewals activities for the 2019-20 to 2024-25 period. The QCA allowance<sup>4</sup> for the same period was \$2.16M. This is shown in **Table 6** which also includes the roll-forward of annuity expenditure from the QCA's 2018-19 closing balance to 30 June 2025.

Upper Condamine is forecast to have a negative annuity closing balance.

The opening RAB balance for the Upper Condamine Scheme has been set at \$0.67M, 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 7**.

## 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 8** shows the forecast for Upper Condamine 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 9**.

An additional \$0.779M in capital expenditure (not shown in **Table 8**) has been added to 2025-26 as the Upper Condamine portion of the \$42.4M whole-of-business project to renew Sunwater's billing system.

Table 6 - 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                    |                | \$282.7        | -\$68.1                          | \$413.9        | \$909.4          | \$1,402.7      | \$152.9         | Aggregate spend |  |
| Expenditure                        |                | -\$991.4       | -\$254.1                         | -\$284.5       | -\$331.2         | -\$2,102.1     | -\$1,642.9      | -\$5,606.3      |  |
| Insurance proceeds                 |                |                |                                  |                |                  |                |                 |                 |  |
| Annuity contribution               |                | \$628.3        | \$739.0                          | \$761.9        | \$784.7          | \$791.1        | \$808.8         |                 |  |
| Interest                           |                | \$12.4         | -\$3.0                           | \$18.1         | \$39.8           | \$61.3         | \$6.7           |                 |  |
| <b>Closing balance<sup>1</sup></b> | <b>\$282.7</b> | <b>-\$68.1</b> | <b>\$413.9</b>                   | <b>\$909.4</b> | <b>\$1,402.7</b> | <b>\$152.9</b> | <b>-\$674.5</b> |                 |  |

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.

<sup>4</sup> Revenue Model issued by QCA with its Final Model (January 2020)



Table 7 - Significant projects (by value) delivered in this period (\$'000s)

| Project name                                 | Year    | Value   |
|--|---------|---------|
| Dual Purpose Meter Validation and Upgrades   | 2024-25 | \$561.1 |
| 24UC03-Study CRA Leslie Dam                  | 2024-25 | \$334.2 |
| Replace Switchboard Yarramalong Pump Station | 2024    | \$207.5 |

Table 8 - Price path period - forecast renewals expenditure (\$'000s)

| Category                                 | 2025-26        | 2026-27          | 2027-28          | 2028-29        | Aggregate        | Percentage  |
|--|----------------|------------------|------------------|----------------|------------------|-------------|
| 19. Smart Meter Program                  | \$0.0          | \$0.0            | \$830.0          | \$333.3        | <b>\$1,163.3</b> | 22%         |
| 4. Valve Renewal and Replacement Program | \$0.0          | \$0.0            | \$1,041.8        | \$0.0          | <b>\$1,041.8</b> | 20%         |
| 20. Dam Safety Management Program        | \$195.2        | \$587.8          | \$0.0            | \$0.0          | <b>\$783.0</b>   | 15%         |
| 17. Arc Flash Program                    | \$437.5        | \$271.0          | \$0.0            | \$0.0          | <b>\$708.5</b>   | 13%         |
| 5. Dam-Related Works Program             | \$0.0          | \$37.2           | \$0.0            | \$258.3        | <b>\$295.5</b>   | 6%          |
| Remaining programs                       | \$74.2         | \$73.7           | \$78.0           | \$201.6        | <b>\$427.5</b>   | 8%          |
| <b>Sub-total - programs</b>              | \$706.9        | \$969.7          | \$1,949.8        | \$793.2        | <b>\$4,419.7</b> | 84%         |
| Projects not captured in programs        | \$0.0          | \$582.9          | \$187.1          | \$76.3         | <b>\$846.3</b>   | 16%         |
| <b>Total</b>                             | <b>\$706.9</b> | <b>\$1,552.6</b> | <b>\$2,136.9</b> | <b>\$869.5</b> | <b>\$5,266.0</b> | <b>100%</b> |
| Capex                                    | \$694.6        | \$922.6          | \$897.1          | \$418.0        | <b>\$2,932.3</b> | 56%         |
| Renewals opex                            | \$12.4         | \$630.0          | \$1,239.8        | \$451.5        | <b>\$2,333.7</b> | 44%         |

Table 9 - Significant individual projects (by value) to be delivered during the price path period (\$'000s)

| Project name   | Year | Value     | Percentage total |
|--|------|-----------|------------------|
| Replacement of 6x Gate Valves with Butterfly Valves - Leslie Dam | 2028 | \$1,041.8 | 20%              |
| Replace Meter - Meter Outlets-Upper Condamine                    | 2025 | \$265.1   | 5%               |

## 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 8** 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 10**. Expenditure commencement dates are shown. For programs, expenditure will typically occur throughout the period.

Figure 8 - Expenditure by major program beyond the price path period (relevant under an annuity method of cost recovery)

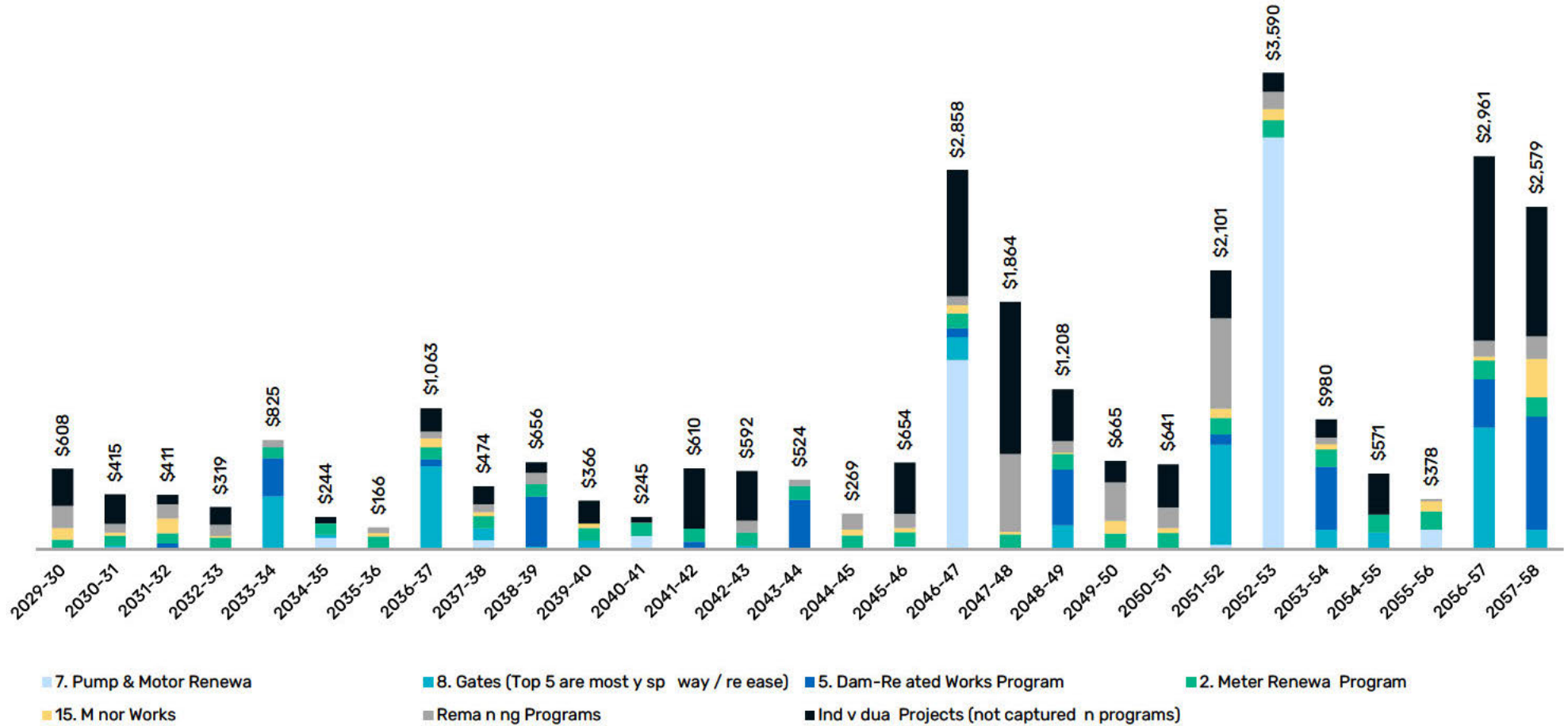


Table 10 - Key projects beyond the price path period (2029-30 to 2057-58) period (\$'000s)

| Project name  | Commencement year | Value           | Percentage total |
|---|-------------------|-----------------|------------------|
| Replace Submersible Pump/Motor - Yarramalong Pump Station           | 2047              | \$4,311         | 15%              |
| Replace Meter Program - Upper Condamine                             | 2025              | \$3,085         | 11%              |
| Refurbish Conduit-Town Supply - Leslie Dam - Outlet Works           | 2047              | \$1,910         | 7%               |
| Comprehensive Risk Assessment Comprehensive Inspection - Leslie Dam | 2029              | \$1,487         | 5%               |
| Refurbish Radial Gate 2 - Leslie Dam - Spillway                     | 2037              | \$1,436         | 5%               |
| Other   | Varies            | \$16,606        | 58%              |
| <b>Total</b>  |                   | <b>\$28,835</b> |                  |

## 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 11** 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.

### Upper Condamine – Sandy Creek or Condamine River

Recommended prices for the Upper Condamine Sandy Creek or Condamine River tariff group are shown in **Table 12**.

This group does not pay for electricity and is not eligible for the Part E and Part F tariffs proposed under an electricity cost pass-through mechanism.

Table 11 – Forecast revenue requirement (inclusive of revenue adjustments) (\$'000s)

| Building block                 | 2025-26          | 2026-27          | 2027-28          | 2028-29          | Aggregate         | Percentage    |
|--------------------------------|------------------|------------------|------------------|------------------|-------------------|---------------|
| Price path related expenditure |                  |                  |                  |                  |                   |               |
| Opex                           | \$2,171.4        | \$2,222.0        | \$2,270.2        | \$2,315.5        | \$8,979.1         | 74.4%         |
| Renewals opex                  | \$12.4           | \$630.0          | \$1,239.8        | \$451.5          | \$2,333.7         | 19.3%         |
| Capital returns                | \$57.4           | \$103.5          | \$144.1          | \$172.3          | \$477.3           | 4.0%          |
| Tax allowance                  | \$0.0            | \$0.0            | \$0.0            | \$0.0            | \$0.0             | 0.0%          |
| <b>Sub-total</b>               | <b>\$2,241.2</b> | <b>\$2,955.5</b> | <b>\$3,654.1</b> | <b>\$2,939.4</b> | <b>\$11,790.1</b> | <b>97.7%</b>  |
| Revenue adjustments            |                  |                  |                  |                  |                   |               |
| Revenue offsets                | -\$3.0           | -\$3.1           | -\$3.2           | -\$3.3           | -\$12.6           | -0.1%         |
| Insurance review               | \$52.9           | \$54.4           | \$55.9           | \$57.3           | \$220.7           | 1.8%          |
| QCA fee <sup>1</sup>           | \$17.3           | \$17.8           | \$18.3           | \$18.8           | \$72.1            | 0.6%          |
| <b>Sub-total</b>               | <b>\$67.2</b>    | <b>\$69.1</b>    | <b>\$71.0</b>    | <b>\$72.8</b>    | <b>\$280.1</b>    | <b>2.3%</b>   |
| <b>Total</b>                   | <b>\$2,308.4</b> | <b>\$3,024.6</b> | <b>\$3,725.1</b> | <b>\$3,012.2</b> | <b>\$12,070.2</b> | <b>100.0%</b> |

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

## North Branch

Recommended prices for the Upper Condamine North Branch tariff group are shown in **Table 13**. This group pays for electricity and is eligible for the Part E and Part F tariffs proposed under an electricity cost pass-through mechanism.

## North Branch – Risk A

Recommended prices for the Upper Condamine North Branch Risk A tariff group are shown in **Table 14**. This group pays for electricity and is eligible for the Part E and Part F tariffs proposed under an electricity cost pass-through mechanism.

Table 12 – Comparison of recommended prices – Sandy Creek / Condamine River tariff group

| Charge                | Methodology    | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|-----------------------|----------------|---------|---------|---------|---------|
| <b>Part A (\$/ML)</b> | Proposed (RAB) | \$19.90 | \$23.06 | \$25.79 | \$26.50 |
|                       | Annuity        | \$19.90 | \$23.06 | \$26.07 | \$26.79 |
|                       | Difference     | +\$0.00 | +\$0.00 | -\$0.28 | -\$0.28 |
| <b>Part B (\$/ML)</b> | Proposed (RAB) | \$6.51  | \$6.69  | \$7.46  | \$10.43 |
|                       | Annuity        | \$6.51  | \$6.69  | \$7.19  | \$10.14 |
|                       | Difference     | +\$0.00 | +\$0.00 | +\$0.28 | +\$0.28 |

Table 13 – Comparison of recommended prices – North Branch tariff group

| Charge                | Methodology    | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|-----------------------|----------------|---------|---------|---------|---------|
| <b>Part A (\$/ML)</b> | Proposed (RAB) | \$19.98 | \$23.14 | \$26.47 | \$27.73 |
|                       | Annuity        | \$19.98 | \$23.14 | \$26.47 | \$28.02 |
|                       | Difference     | +\$0.00 | +\$0.00 | +\$0.00 | -\$0.28 |
| <b>Part B (\$/ML)</b> | Proposed (RAB) | \$19.67 | \$20.21 | \$20.77 | \$23.57 |
|                       | Annuity        | \$19.67 | \$20.21 | \$20.77 | \$23.29 |
|                       | Difference     | +\$0.00 | +\$0.00 | +\$0.00 | +\$0.28 |

Table 14 – Comparison of recommended prices – North Branch Risk A tariff group

| Charge                | Methodology    | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|-----------------------|----------------|---------|---------|---------|---------|
| <b>Part A (\$/ML)</b> | Proposed (RAB) | \$16.78 | \$19.86 | \$23.09 | \$25.28 |
|                       | Annuity        | \$16.78 | \$19.86 | \$23.09 | \$25.28 |
|                       | Difference     | +\$0.00 | +\$0.00 | +\$0.00 | +\$0.00 |
| <b>Part B (\$/ML)</b> | Proposed (RAB) | \$21.26 | \$21.85 | \$22.46 | \$24.29 |
|                       | Annuity        | \$21.26 | \$21.85 | \$22.46 | \$24.29 |
|                       | Difference     | +\$0.00 | +\$0.00 | +\$0.00 | +\$0.00 |

# Appendix - Correspondence





### 3. Proposed increases in costs

Throughout the Irrigation Price Path proposal document SunWater points to increased inflation as an excuse for increasing proposed prices. Inflation tops out at 6.8% in the document. However, the proposed prices, for example, in the Upper Condamine Medium Priority Part A is a 45% increase in one year from 2024-25 to 2025-26 (page 13). Whilst this is smoothed under Government policy it is still completely unacceptable. We have finally received a cut to our Part A charge to move back to Lower Bound Cost Recovery and this feels like SunWater blatantly trying to claw that back as soon as possible. Under the proposed price path almost all the gains in Part A charges are lost in the coming price path and end in an almost doubling of prices in the 5 year period from 2022-23 to 2028-29.

The use of existing prices to compare coming prices is misleading to say the least. 'Part A-MP prices are forecast to decrease at an annual rate of 8.5% from 2022-23 to 2028-29' is true, but not a reflection of SunWater management or prudence, but the result of a Government policy change. The section should start in 2023-24 to provide a more relevant analysis.

No details whatsoever have been provided to Upper Condamine irrigators to justify these huge increases in costs. Details were requested but 'couldn't be provided in time for the consultation process'. If details couldn't be provided, how were the prices developed in the first place? Again, it feels like a cash grab from SunWater to recoup income removed by fair allocation of Part A charges.

Mention was made on at least two occasions that SunWater has faced significant cost increases from projects such as Rockwood Weir and Paradise Dam. How is it the responsibility of Upper Condamine irrigators to carry that cost burden? This is another example of the overcharged fees in our system draining into a black hole in SunWater's head office.

### 4. Annuity balance

The reporting of the annuity spend and balance in the Service and Performance Plans is questionable to say the least. For example, the 2021-22 report states on Page 13 that the actual SunWater closing balance for 2019-20 is \$627,800. The 2022-23 report states that the 2019-20 actual closing balance is -\$73,500. This is a \$701,300 difference in reports that are supposed to be 'actual' from one year to the next.

The 2021-22 report forecast a closing balance of \$2,558,100 but the 2022-23 report changes that to -\$2,136,000. This equates to a \$4.7m turnaround in the balance of our scheme in one year. Looking over some of the annuity expenditure it is clear we have often been under budget, but the balance has dropped significantly.







# CENTRAL DOWNS IRRIGATORS LIMITED

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If a move to RAB approach is taken how will the annuity balances be approached? We understand there is a proposal to take the current balances forward. However, given the lack of transparency and huge discrepancies in the previous reporting and obviously previous spending, it is difficult to believe that the true balance will be reflected in the annuity balance going forward.

The Upper Condamine scheme has been generating a near \$1m profit annually for far too many years, yet there is no reflection of that fact from SunWater. How can a scheme operating at a huge profit now, apparently, have a \$2.1m negative annuity balance? SunWater has been blatantly profiteering from the Scheme and using our fees to prop up underperforming sections of the business and this is not acceptable.

Upper Condamine irrigators would like to thank you for the opportunity to provide feedback on your proposed price path and we look forward to working with QCA to achieve a far better outcome than that proposed by SunWater.

Yours Sincerely,

[Redacted signature block]

[Redacted line]

[Redacted line]

Upper Condamine CAC representative

[Redacted signature block]



Contact: Keelie O’Sullivan  
Direct line: [REDACTED]

3 November 2023



Dear [REDACTED]

Thank you for your letter dated 23 August 2023 on behalf of Central Downs Irrigators. We appreciate that you have taken the time to consider Sunwater’s three proposals and provide feedback on the GoVote process and on draft prices for the price path period of 1 July 2025 to 30 June 2029. Noting our earlier email response on 23 August 2023, acknowledging receipt and addressing your feedback, please consider this letter as our formal response.

We welcome all customer feedback as we develop our final pricing proposal for lodgement with the Queensland Competition Authority (QCA) later this year. Acknowledging our previous email correspondence where we addressed your views on the GoVote process, I will reiterate the intent of GoVote was to gauge customer support and assist Sunwater to determine whether to include the three proposals in our price path submission to the QCA. Our decision-making process has involved balancing the results of this survey with specific written and verbal feedback, as well as the benefits and risks that have been determined for each proposal.

Our face-to-face session for Upper Condamine Water Supply Scheme is scheduled for 2:15pm on Wednesday, 8 November, at the Brookstead Community Hall. We will also host an online session on Thursday, 23 November, and will communicate those details shortly. Contained herein is Sunwater’s formal response to your letter.

### Service and Performance Plans

You have specifically provided feedback about our proposal to refresh Service and Performance Plans (S&PPs) and expressed opposition to removing the Financial Summary section. We found that the vast majority of customers who attended our Stage 2 engagement sessions do not read these documents and coupled with feedback from our regional operations teams, we see there is a necessity to make these documents more relevant, timely and easier to interpret.

We consider that we are best placed to refresh this section by reporting on how Sunwater has performed against QCA cost targets and service targets and outlining activities and projects we expect to deliver across the current and subsequent financial years. We find that this section, in its current format, bears no relevance to future prices. The administration involved also delays publication to the extent that by the time we are able to engage with customers on the matter, the information is no longer current. We are aiming to publish a refreshed S&PP this calendar year. We would be grateful for your continued interest in the document and would like to continue this conversation.

### RAB proposal

The presentation for Upper Condamine ([Irrigation Price Path - Presentations - Sunwater](#), under **Stage 2**) sets out how we calculate revenue under this methodology. This includes a borrowing cost building block and a

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depreciation building block. The presentation also states that this change will continue to be a lower-bound pricing methodology.

We will not earn a return on the value of pre-2000 assets and the Government will continue to fund the irrigation share of Dam Improvement Program capital costs.

## Proposed cost increases

The explanation for price increases was set out in the Upper Condamine presentation pack during our Stage 2 engagement program.. Prices in the Upper Condamine scheme are increasing on the back of increases to our operating expenditure. We shared high level factors causing these to rise. Our Stage 3 engagement material will include specific detail on those costs that will put upward pressure on prices, for example:

- Forecast premium increases mean that insurance costs will account for a more significant portion of total opex for Upper Condamine over the price path period.
- Our base year opex is 22 per cent higher than the QCA thought it would be in 2022-23.
- We expect to have spent \$5.6M in renewals against a QCA forecast of \$2.2M. This is largely driven by spend in FY24 and FY25 and includes dual purpose meter validation and upgrades, Leslie Dam Comprehensive Risk Assessment study costs and a switchboard replacement at the Yarralong Pump station.
- Our forecast for the next four-year price path is an average renewals spend of \$1.25M, which is considerably higher than the average (\$0.36M) built into current prices via the annuity.

As mentioned in our previous correspondence, the Queensland Government’s decision to remove above lower-bound pricing has no link to Sunwater’s proposed costs and the cost-reflective prices that we have presented in the Stage 2 material.

Government policy is the reason we previously charged above lower-bound, and that does not equate to profit for Sunwater. That extra revenue allows us to fund the capital cost associated with the original assets. There is no link between Sunwater’s revenue under this policy and our forecast of prudent and efficient costs going forward.

We understand your point about the comparison of prices including 2022/23 for tariff groups where prices were not reflective of lower-bound costs. A revised 2023-24 to 2028-29 calculation is as follows:

*Table 1 Compound annual growth rate for Part A charges*

| Tariff Group                   | Stage 2 presentation<br>(2022-23 to 2028-29) | Amended value<br>(2023-24 to 2028-29) |
|--------------------------------|--|---------------------------------------|
| Sandy Creek or Condamine River | -4.0%  | +10.0%                                |
| North Branch                   | -8.5%  | +10.9%                                |
| North Branch – Risk A          | +11.2%                                       | <i>No amendment required</i>          |

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We are working to provide further scheme-specific detail in our Stage 3 customer engagement. The QCA will assess the prudence and efficiency of the costs contained in our submission, and if it is not satisfied with our justification of proposed costs, it will reject them.

There is no recovery of costs for Rookwood Weir Project or Paradise Dam Project associated with the proposed Upper Condamine prices. We apologise for any confusion caused during our recent presentation. Any mention of these projects would have been for context only.

## Annuity balance

Actuals may be corrected from time to time in financials and we can confirm that there was a correction made to the closing balance actuals for 2019/20. It is explained in the 2022/23 Service and Performance Plan, Table 9 footnote as follows: *The annuity-funded spend for 2019/20 has been adjusted to include historical costs associated with a comprehensive risk assessment of Leslie Dam. These costs were inadvertently classified as Dam Improvement Program costs previously.*

We were unable to locate 2021/22 forecast closing balance, that you referenced, in our records. In the 2021/22 report, the forecast closing balance for 2024/25 was \$1,072,800 and the following year, in the 2022/23 report, that forecast amount increased to \$1,888,700. We chose to compare this year because it is the year that is most relevant to the irrigation pricing review. As part of our final submission, we will present the forward balance, and this will be assessed by QCA.

I trust this formal response will provide some further clarity on our proposals and price setting processes. We look forward to seeing customers from the Upper Condamine Water Supply Scheme at our Stage 3 customer session in the coming days.

Yours sincerely



Cameron Milliner

## EGM Customer and Stakeholder Relations

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[Redacted]

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**From:** [Redacted]  
**Sent:** Tuesday, 21 November 2023 9:24 AM  
**To:** Sunwater Irrigation Price Path  
**Subject:** Upper Condamine Electricity Pass-through

**This Message Is From an Untrusted Sender**

You have not previously corresponded with this sender.

Dear SunWater,

Given the information presented at the meeting of the Upper Condamine Customer Advisory Committee on November 8th, Central Downs Irrigators would like to remove our support for an Electricity Cost Pass-through in our scheme.

It is clear from the information provided by SunWater that irrigators would be much worse off under the pass-through due to the loss of the price reductions achieved from the government community service obligation. Whilst irrigators in the Upper Condamine have always agreed with paying the fair costs of the system and we see the electricity pass-through as a good mechanism to achieve this, the changes to the tariff groups will result in significant increased costs to irrigators.

We hope our views can be expressed in the pricing proposal from SunWater to QCA.

Regards

[Redacted]