

Lower Mary River Water Supply Scheme

Scheme Summary

Irrigation pricing proposal

1 July 2025 to 30 June 2029

Context

Prices in the Lower Mary River Water Supply Scheme (Lower Mary) were set for the 2020-21 through to 2024-25 period (current period) via Rural Pricing Direction Notices issued by the Treasurer in 2020¹, 2021² and again in 2023³.

In early 2023 the Queensland Government also directed the Queensland Competition Authority (the QCA) to recommend prices for Lower Mary irrigation services for the period **1 July 2025 to 30 June 2029**.

This scheme level summary forms part of Sunwater's submission to the QCA and has been prepared to provide irrigation customers with a summary of our proposal as it affects their scheme. It should be read in conjunction with the primary submission document and includes a scheme-level summary of:

- proposed prices and the basis for them
- how we engaged with customers, what we heard from them and how we addressed their feedback
- operating and renewals expenditure forecasts
- The overall revenue requirement.

This scheme provides both a bulk water (supply) and a channel distribution (distribution) service.

Entitlements and usage

Lower Mary holds total water access entitlements (WAE) of 30,339ML (**Figure 1**).

For the purpose of price setting, this is increased to 34,449ML via the addition of high and medium priority WAEs held within the Teddington Weir Water Supply Scheme by Wide Bay Water⁴. Most entitlements are medium priority, held by customers who use water for irrigation purposes.

Lower Mary has long-term (20-year) average annual usage equivalent to 25.8 per cent of total WAE, down from 33.1 per cent at the time of the 2020 review.

The distribution system holds 15,262ML and 4,912ML of loss entitlements. Long-term (20-year) usage in the distribution system is equivalent to 29.8 per cent of total distribution and loss WAE, down from 31.2 per cent at the time of the 2020 review).

Tariff groups

Lower Mary has two supply service tariff groups (Mary Barrage and Tinana & Teddington) and a single distribution service tariff group (Channel).

The Mary Barrage and Tinana & Teddington tariff groups are differentiated by the role the Owanyilla pump station and main channel (Lower Mary Distribution service assets) plays in servicing the Tinana Barrage and Teddington Weir.

A portion of the costs incurred at these assets is transferred out of the Lower Mary distribution service and added to the supply service where it forms part of the Tinana & Teddington tariff calculation. This cost transfer is discussed further in the primary submission document.

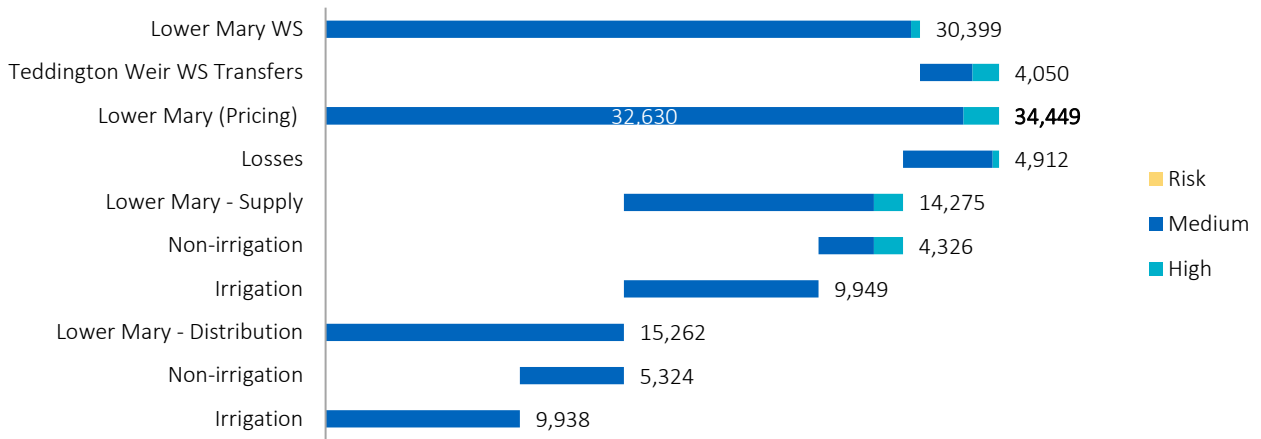
¹ Queensland Government Gazette No. 67(July 2020) *Sunwater Rural Water Pricing Direction Notice 2020*

² Queensland Government Gazette No. 25 (June 2021) *Sunwater Rural Water Pricing Direction Notice 2021*

³ Queensland Government Gazette No. 54 (March 2023) *Sunwater Irrigation Water Pricing Direction Notice 2023*

⁴ The inclusion of this volume is consistent with past pricing reviews and reflects the requirement (*Mary Basin Resource Operations Plan*, Sept 2011) for Sunwater to transfer water from Lower Mary to the Teddington Weir Water Supply Scheme when certain conditions are met.

Figure 1 - Lower Mary water access entitlements (as at 30 June 2023)



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 the Lower Mary, 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 for Lower Mary - Channel customers.

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

Proposed prices by tariff group

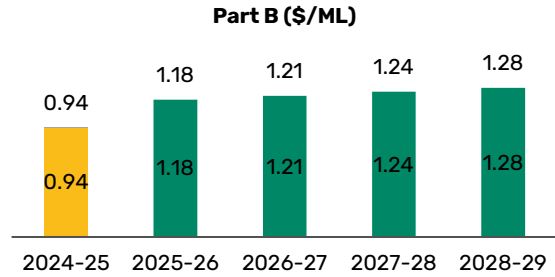
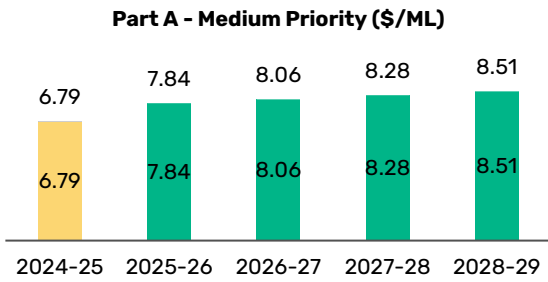
The prevailing price for 2024-25 is shown for comparison purposes with forecast prices for the review period. All discounts have been removed for ease of comparison. The green bars within the chart reflect recommended irrigation prices for the price path period. Values shown at the top of the chart reflect 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 State government.

Prices reflect a RAB methodology and an electricity cost pass-through mechanism.

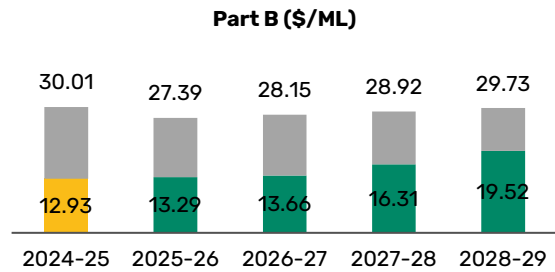
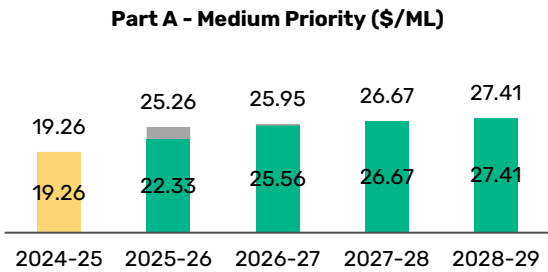
Legend:

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

Lower Mary – Mary Barrage



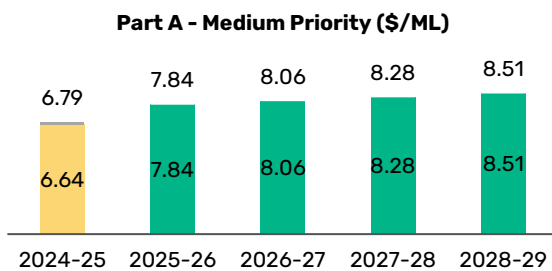
Lower Mary – Tinana & Teddington



Lower Mary – Channel

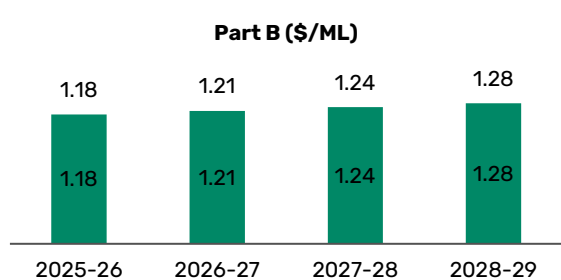
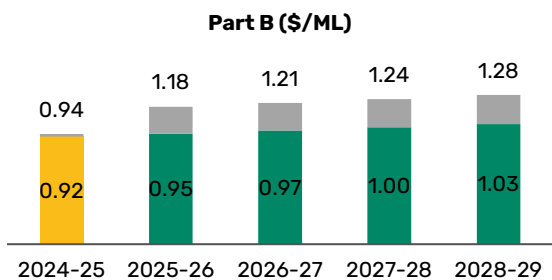
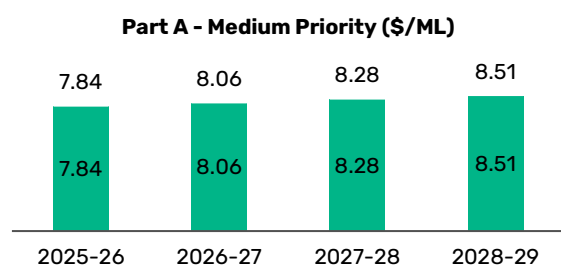
Prices *inclusive* of electricity

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



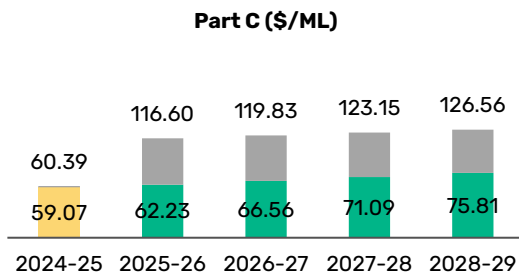
Prices *under* pass-through

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



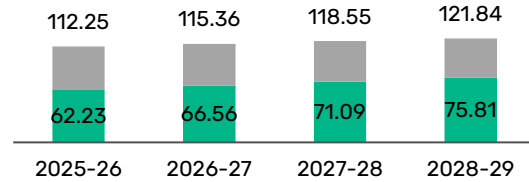
Prices *inclusive* of electricity

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)

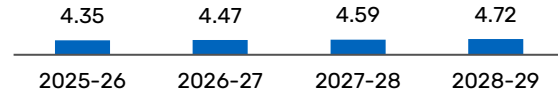


Prices under pass-through

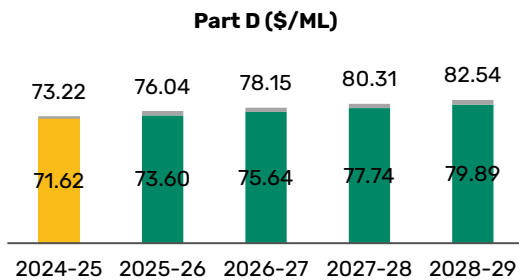
Part C (\$/ML)



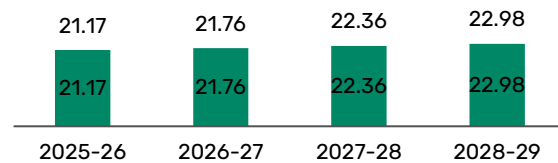
Part E (\$/ML) - Indicative only



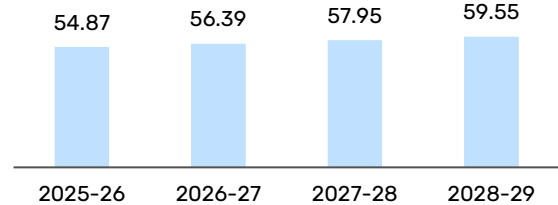
The Part D charge will be split into a Part D and a Part F charge under a pass-through (segregated Part D and Part F prices may not add due to rounding)



Part D (\$/ML)



Part F (\$/ML) - Indicative only



Engagement

Sunwater contacted all Lower Mary irrigation customers during the development of its 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.

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



- ✓ Irrigation Customer Invoice Calculator



- ✓ Three face-to-face meetings
- ✓ Three online meetings

What we heard

During our customer meetings we discussed matters of interest (**Table 1**) to Lower Mary customers. Generally, we were able to address questions and queries in the meeting.

Based on discussions with customers during these meetings, Sunwater has provided 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

Thirteen customers within Lower Mary responded to the online survey, representing approximately 8.4 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.

Other feedback

Sunwater received one phone call from a Lower Mary River customer. Sunwater answered their queries about increased prices, Part A fixed charges, and temporary and permanent water transfers.

Table 1 - Key customer interests

Forum details	Attendees	Key customer interests
Stage 1 engagement		
<p><i>Forum:</i> Face-to-face engagement with <u>Lower Mary River</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>	1	Price setting process
<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
Stage 2 engagement		
<p><i>Theme:</i> Draft future prices and the following proposals for customer feedback:</p> <ul style="list-style-type: none"> changes to Service and Performance Plans changes to the way renewals expenditure is recovered through irrigation prices a permanent, symmetrical electricity cost pass-through mechanism in seven schemes. 	4	Customer values – water quality Customer engagement – lack of participation Increased prices – impacts on customers Cost recovery model Overspending – QCA true up mechanism RAB v annuity – other businesses ECPT trial

<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
Stage 3 engagement		
<p><i>Forum:</i> Face-to-face engagement with <u>Lower Mary River</u> customers</p> <p><i>Theme:</i> Outline Sunwater's pricing proposal, having taken into account customer feedback and preferences</p>	5	Negative annuity balance and cost recovery RAB recovery period - 75 years ArcFlash Forecast renewals - specifically fish ladder Support costs Sunwater's retirement contingency strategy Forecast expenditure Impact of ECPT on prices Statement from Lower Mary CAC retracting support of ECPT on the grounds of insufficient evidence of financial benefit to customers
<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

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.

Lower Mary – Channel customers were able to provide feedback on the electricity cost pass-through mechanism proposal. Four “strongly agree” and two “agree” responses were received – accounting for 54.5 per cent of responses received from eligible customers (**Figure 6**). Four responses were “neutral”, with only one against the proposal.

Sunwater proposes to adopt an ECPT mechanism for the Lower Mary - Channel tariff group on the basis of feedback received, and the associated benefits to customers and Sunwater.

Service standards

The current service standards (**Table 2**) that apply for the Lower Mary scheme were included as part of our Stage 2 engagement. 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

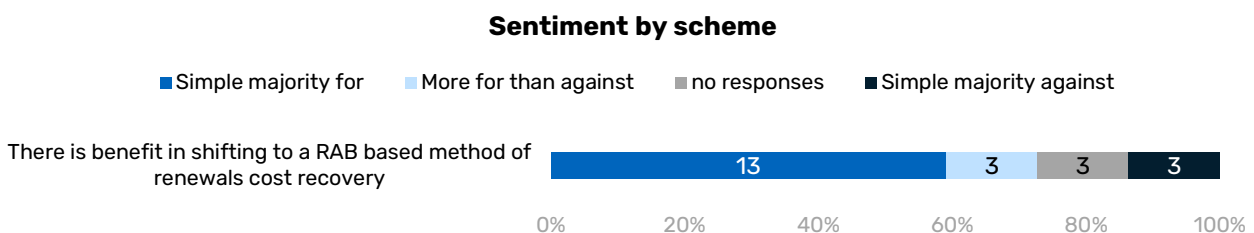


Figure 3 - How Lower Mary responded to the RAB proposal – question and responses

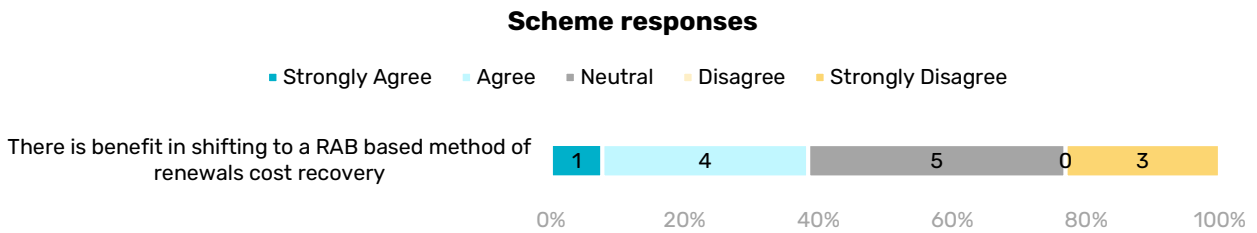


Figure 4 - How Sunwater’s irrigation customers responded to the RAB proposal – question and responses

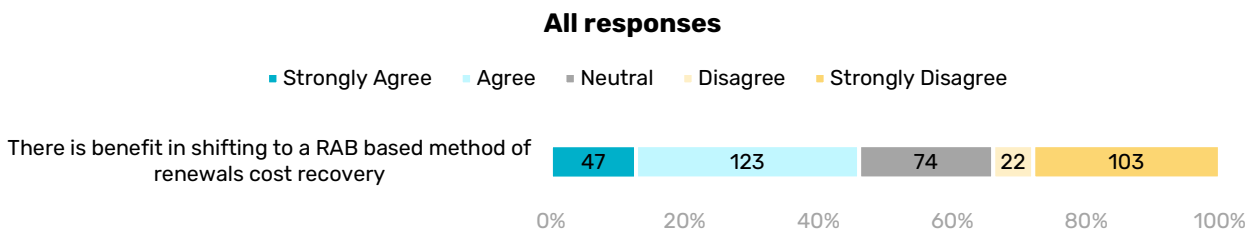


Figure 5 - How Sunwater’s irrigation customers responded to the S&PP proposal – question and responses

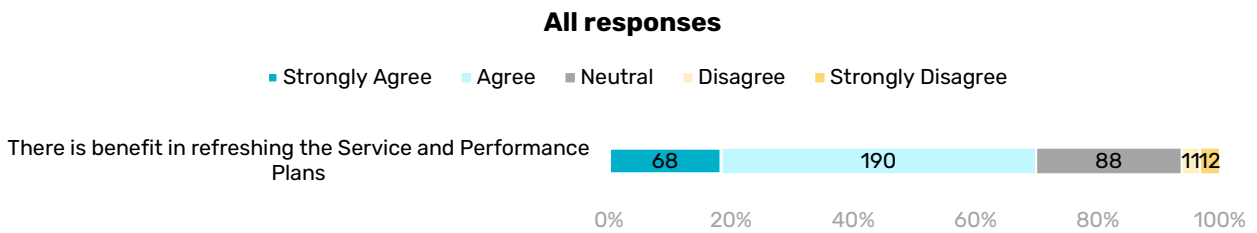


Figure 6 - How customers in Lower Mary – Channel responded to the ECPT proposal – question and responses

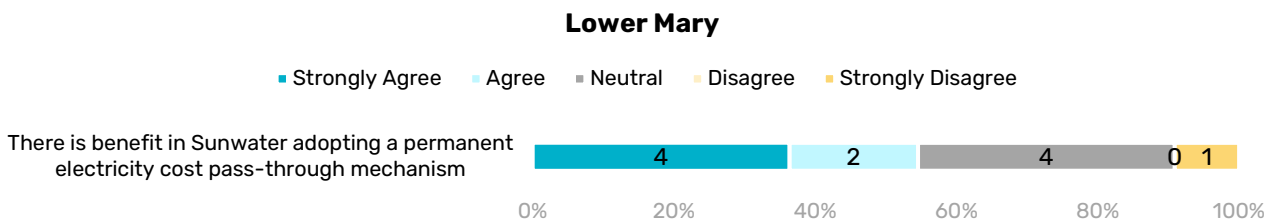


Table 2 - Service standards for Lower Mary

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>	Unplanned shutdowns will be fixed so that at least partial supply can be resumed	48 hours
<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 Lower Mary scheme.

Supply and distribution service forecasts are provided separately. This analysis presents costs *before* their transfer for pricing purposes. For example, 100 per cent of Owanyilla pump station and main channel costs are shown against the Lower Mary – distribution service.

Operating expenditure

Base year (2022-23) – Supply

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 \$0.15M is shown on **Figure 7** and is \$0.02M (1 per cent) higher than the QCA’s allowance for the same year (after adjustment for actual inflation).

Lower expenditure against insurance and labour (direct) is offset by higher contractor, materials, other (including land tax, rates and vehicle leasing, which was previously captured under support costs), and support 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.

Operations and maintenance have been split into other direct costs, materials, contractors, and direct labour.

Price path forecast – Supply

The Lower Mary Supply opex forecast for the price path period is shown in **Table 3**.

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 4 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.

Additional billing system opex (circa \$0.055M per annum) contributes to the higher share of support costs in 2025-26.

This billing system step change means that support costs will account for a more significant portion of total opex for Lower Mary over the price path period.

Renewals opex has not been included in this table as it is a new category that applies under a RAB-based recovery of renewals expenditure.

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

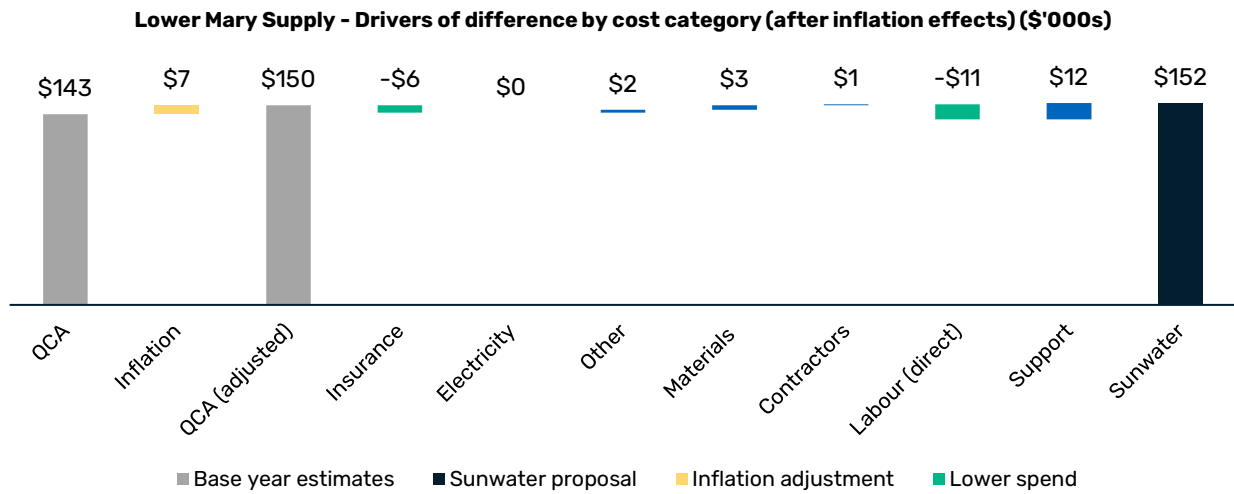
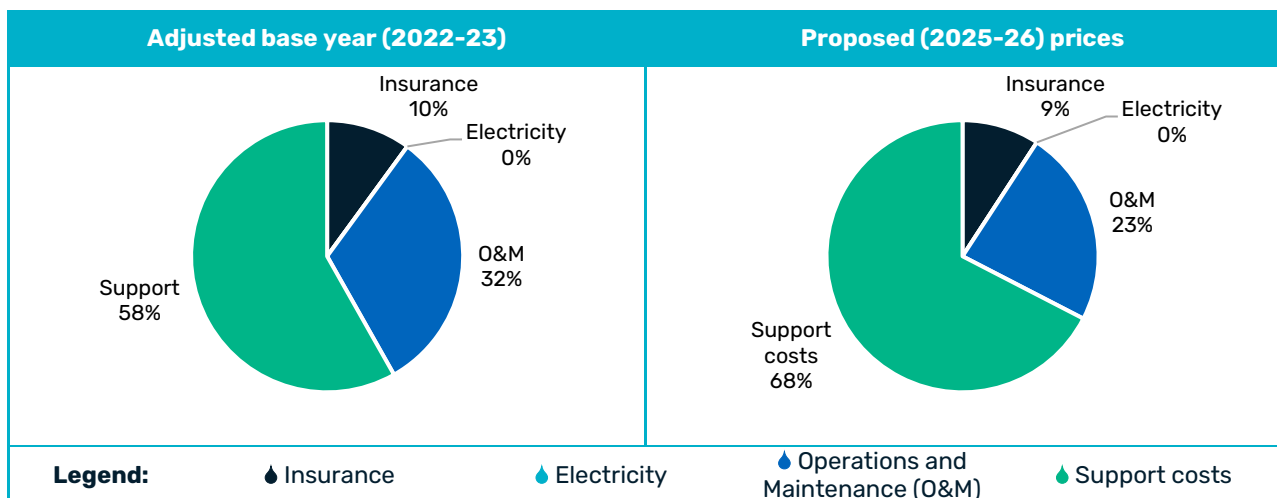


Table 3 - Lower Mary Supply - Opex forecasts for price path period (values in thousands)

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
Operations and maintenance ¹	\$52.7	\$54.0	\$55.1	\$56.2
Support costs	\$151.9	\$152.3	\$155.8	\$159.2
Opex - BST sub-total	\$225.4	\$227.5	\$232.7	\$237.6
Renewals opex	\$51.7	\$90.0	\$14.7	\$31.6
Opex total	\$277.1	\$317.5	\$247.4	\$269.2

Note 1: Includes preventative and corrective maintenance categories.

Table 4 - Lower Mary Supply - Relative contribution of major opex categories to total opex (prior to cost transfers)



Base year (2022-23) – Distribution

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 \$1.64M is shown on **Figure 8** and is \$0.39M (31 per cent) higher than the QCA’s allowance for the same year (after adjustment for actual inflation).

The primary driver of this uplift is an increase in support 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.

Operations and maintenance have been split into other direct costs, materials, contractors, and direct labour.

Price path forecast – Distribution

The Lower Mary Distribution opex forecast for the price path period is shown in **Table 5**. 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 8**) and apply assumptions relating to inflation. No step changes have been applied to the Lower Mary Distribution opex forecast.

Table 6 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.

Renewals opex has not been included in this table as it is a new category that applies under a RAB-based recovery of renewals expenditure.

Figure 8 - Lower Mary Distribution – Difference between Sunwater’s base year and QCA allowance (2022-23)

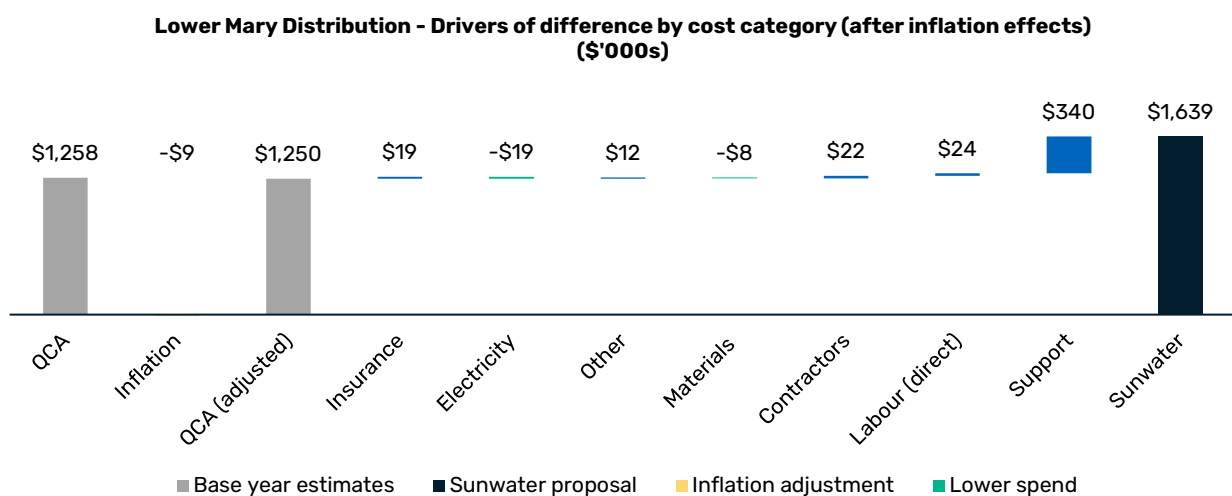
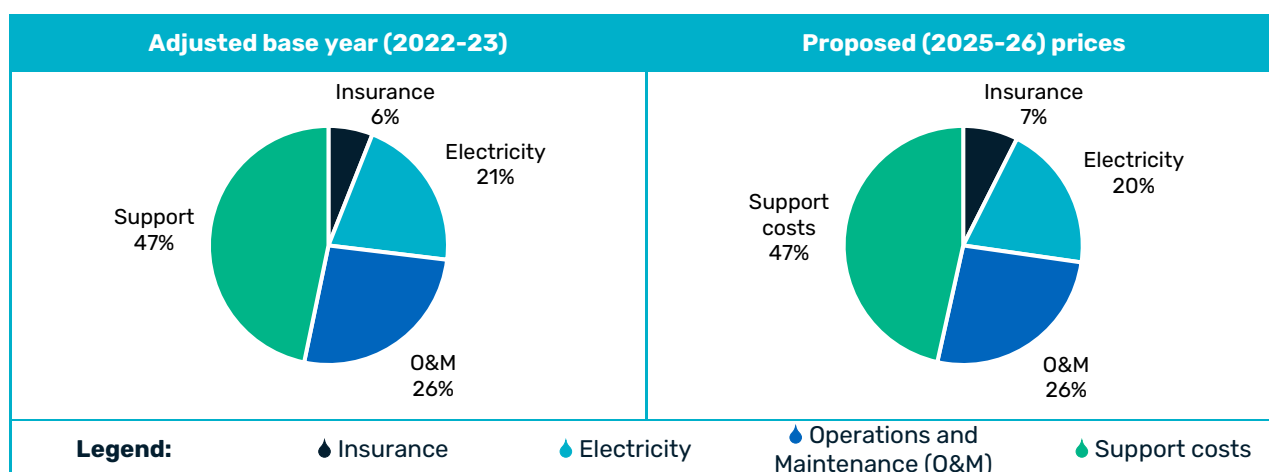


Table 5 - Lower Mary Distribution – Opex forecasts for price path period (\$'000s)

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
Operations and maintenance ¹	\$419.4	\$429.5	\$438.6	\$447.3
Support costs	\$744.4	\$762.5	\$778.6	\$794.1
Opex - BST sub-total	\$1,600.1	\$1,638.7	\$1,674.5	\$1,707.8
Renewals opex	\$316.8	\$412.3	\$89.0	\$96.3
Opex total	\$1,916.9	\$2,051.1	\$1,763.5	\$1,804.2

Note 1: Includes preventative and corrective maintenance categories.

Table 6 - Lower Mary Distribution – Relative contribution of major opex categories to total opex (prior to cost transfers)



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.

Separate forecasts are provided for Lower Mary's supply and distribution services.

Current period (plus roll-forward) – Supply

Sunwater expects to have delivered \$0.49M in renewals activities for the 2019-20 to 2024-25 period. The QCA allowance⁵ for the same period was \$0.32M.

This is shown in **Table 7** which also includes the roll-forward of annuity expenditure from the QCA’s 2018-19 closing balance to 30 June 2025.

Lower Mary Supply is forecast to have a negative annuity closing balance.

The opening RAB balance for the Lower Mary Supply service has been set at \$2.31M, 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 8**.

Price path period – Supply

Sunwater’s submission document describes in detail the way we have developed our renewals expenditure forecast for the next price path period.

Table 9 shows the forecast for Lower Mary 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.

The largest projects (outside major programs) forecast to be delivered in this period (by value) are shown in **Table 10**.

Table 7 - Lower Mary Supply – 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		-\$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	
Closing balance¹	-\$2,440.2	-\$2,466.5	-\$2,411.3	-\$2,443.4	-\$2,370.0	-\$2,343.1	-\$2,312.6	

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.

Table 8 - Lower Mary Supply – 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

⁵ Revenue Model issued by QCA with its Final Model (January 2020)

Table 9 - Lower Mary 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	\$354.9	65%
15. Minor Works	\$51.7	\$18.8	\$0.0	\$0.0	\$70.5	13%
5. Dam-Related Works Program	\$0.0	\$47.7	\$0.0	\$0.0	\$47.7	9%
12. Civil and Roads (inlet / outlet towers)	\$0.0	\$0.0	\$0.0	\$31.6	\$31.6	6%
6. Safety and Security Assets Renewal Program	\$0.0	\$0.0	\$14.7	\$0.0	\$14.7	3%
Remaining programs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%
Sub-total programs	\$136.3	\$153.8	\$102.6	\$126.7	\$519.4	96%
Projects not captured in programs	\$0.0	\$23.5	\$0.0	\$0.0	\$23.5	4%
Total	\$136.3	\$177.3	\$102.6	\$126.7	\$542.9	100%
Capex	\$84.6	\$87.3	\$87.9	\$95.1	\$354.9	65%
Renewals opex	\$51.7	\$90.0	\$14.7	\$31.6	\$188.0	35%

Table 10 - Lower Mary Supply – Significant individual projects (by value) to be delivered during the period (\$'000s)

Project name	Year	Value	Percentage
Refurbish Road - Lower Mary Supply	2029	\$31.6	6%
Study: Comprehensive Risk Assessment Weir - Mary Barrage 59.3Km	2027	\$24.7	5%
Replace Crest - Tinana Barrage 1.6 Km - Barrage Wall	2026	\$24.3	4%

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.

An additional \$1.399M in capital expenditure (not shown in **Table 9**) has been added to 2025-26 as the Lower Mary portion of the \$42.4M whole-of-business project to renew Sunwater’s billing system.

Beyond price path period - Supply

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 9** 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 11**.

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

Figure 9 – Lower Mary Supply – Expenditure by major program beyond the price path period (relevant under an annuity method of cost recovery)

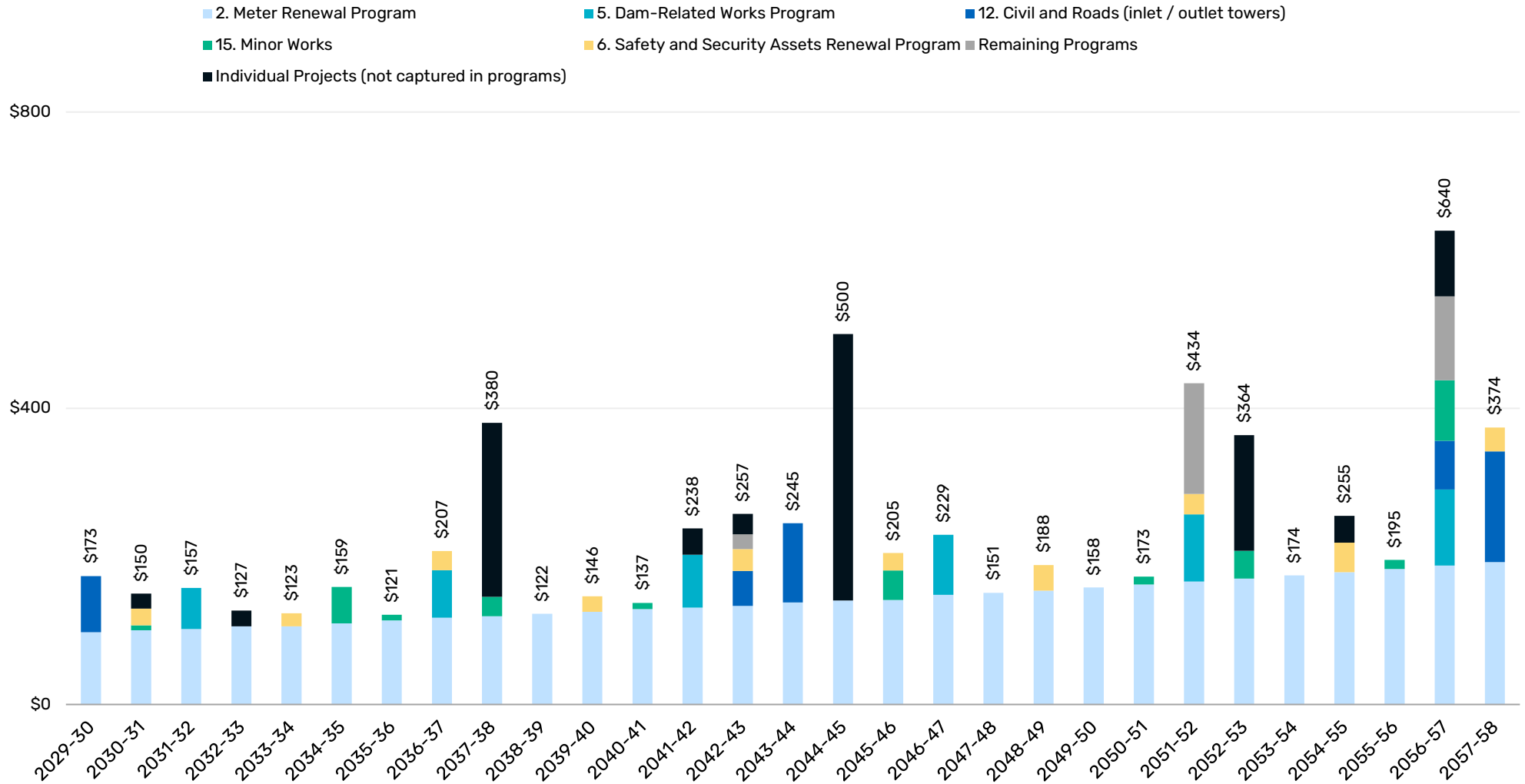


Table 11 - Key projects beyond the price path period (2029-30 to 2057-58) period (\$'000s)

Project name	Commencement year	Value	Percentage
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%
Total		\$6,782	

Current period (plus roll-forward) – Distribution

Sunwater expects to have delivered \$8.86M in renewals activities for the 2019-20 to 2024-25 period. The QCA allowance⁶ for the same period was \$2.16M. This is shown in **Table 12** which also includes the roll-forward of annuity expenditure from the QCA’s 2018-19 closing balance to 30 June 2025.

Lower Mary Distribution is forecast to have a negative annuity closing balance. The opening RAB balance for Lower Mary Distribution been set at \$4.87M, 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 13**.

Price path period – Distribution

Sunwater’s submission document describes in detail the way we have developed our renewals expenditure forecast for the next price path period.

Table 14 shows the forecast for Lower Mary 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 15**.

⁶ Revenue Model issued by QCA (January 2020)

Table 12 - Lower Mary Distribution – 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		\$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	
Closing Balance¹	\$2,284.6	\$2,491.0	\$1,832.3	\$457.0	-\$988.8	-\$4,369.1	-\$4,869.9	

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.

Table 13 - Lower Mary Distribution – 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

Table 14 - 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%
Total	\$1,012.0	\$860.7	\$176.3	\$347.9	\$2,397.0	100%
Capex	\$695.2	\$448.4	\$87.3	\$251.6	\$1,482.5	62%
Renewals opex	\$316.8	\$412.3	\$89.0	\$96.3	\$914.4	38%

Table 15 - Lower Mary Distribution – Significant individual projects (by value) to be delivered during the price path period (\$'000s)

Project name	Year	Value	Percentage total
Repair and Install Hard Stand - Owanyilla Pump Station	2026	\$179.4	7%
Replace Pump Unit No 1 - Owanyilla Main Channel - Channel Seepage Recovery	2029	\$161.0	7%
Customer Meter Replacement Allocation Walker Point System	2025	\$147.6	6%
Replace Inlet Structure 4015.1M - Walker Pt Main Channel/Pipeline - Inlet	2027	\$115.9	5%

Beyond price path period – Distribution

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.

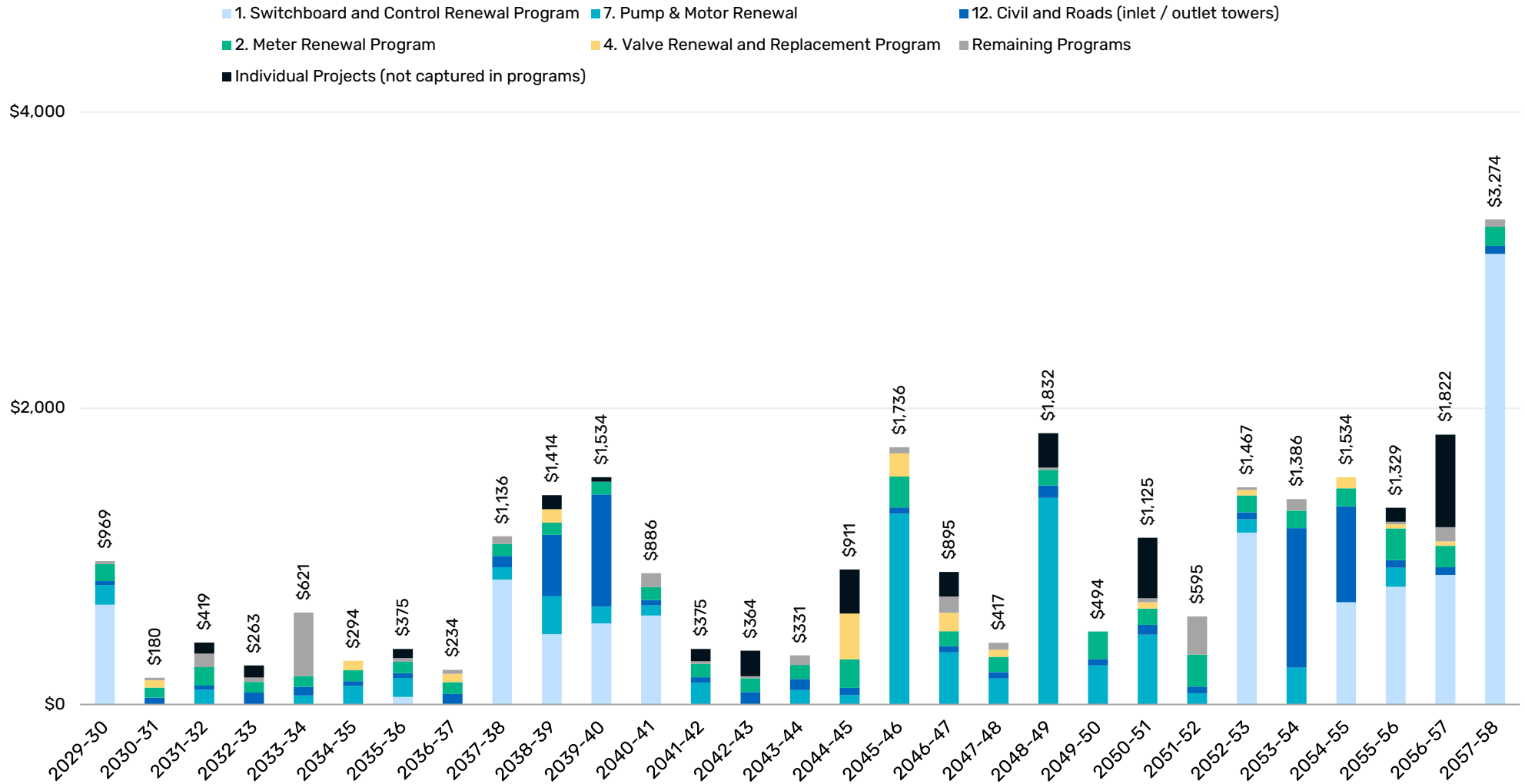
It is presented in **Figure 10** for completeness and is the profile that underpins the alternative annuity-base prices presented in the **Revenue and pricing** section of this summary.

Significant (by value) projects forecast for completion between 2029-30 and 2057-58 are shown in **Table 16**. Expenditure commencement dates are shown. For programs, expenditure will typically occur throughout the period.

Table 16 - Lower Mary Distribution – Key distribution projects beyond the price path period (2029-30 to 2057-58) period (\$'000s)

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%
Total		\$28,211	

Figure 10 - Lower Mary Distribution - Expenditure by major program beyond the price path period (relevant under an annuity method of cost recovery) - ('000s)



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 17 and **Table 18** bring together the price-path related expenditure building blocks for the Supply and Distribution services respectively.

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.

It also includes a transfer of revenue from the Distribution service to the Supply service to account for operating costs that should be apportioned to the Tinana & Teddington tariff group for the supply service function performed by the Owanyilla pump station and main channel.

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.

Table 17 - Forecast revenue requirement – Lower Mary Supply (inclusive of revenue adjustments) (\$'000s)

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%
Sub-total	\$413.3	\$488.7	\$431.5	\$460.5	\$1,794.0	53.1%
Revenue adjustments						
Revenue transfer ¹	\$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 ²	\$12.9	\$13.2	\$13.6	\$14.0	\$53.6	1.6%
Sub-total	\$412.5	\$456.2	\$378.9	\$339.7	\$1,587.3	46.9%
Total	\$825.8	\$944.9	\$810.4	\$800.2	\$3,381.3	100.0%

Note 1: Consistent with past practice Sunwater has transferred (into the Lower Mary Supply service) a portion of revenue requirement associated with the Owanyilla 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.

Table 18 – Forecast revenue requirement – Lower Mary Distribution (inclusive of revenue adjustments) (\$'000s)

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 ¹	-\$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 ²	\$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%
Total	\$2,047.8	\$2,177.3	\$1,998.5	\$2,096.7	\$8,320.3	100.0%

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

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

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.

Lower Mary – Supply

Recommended prices for the Lower Mary – Mary Barrage group are shown in **Table 19** and for the Lower Mary – Tinana & Teddington group are shown in **Table 20**.

Lower Mary – Distribution

Recommended prices for the Lower Mary – Channel tariff group are shown in **Table 21** inclusive of electricity.

The Channel group pays for electricity and is eligible for the Part E and Part F tariffs proposed under an electricity cost pass-through mechanism.

Table 19 - Comparison of recommended prices –Lower Mary – Mary Barrage tariff group

Charge	Methodology	2025-26	2026-27	2027-28	2028-29
Part A (\$/ML)	Proposed (RAB)	\$7.84	\$8.06	\$8.28	\$8.51
	Annuity	\$9.52	\$10.07	\$10.35	\$10.64
	Difference	-\$1.68	-\$2.01	-\$2.07	-\$2.13
Part B (\$/ML)	Proposed (RAB)	\$1.18	\$1.21	\$1.24	\$1.28
	Annuity	\$0.97	\$1.21	\$1.24	\$1.28
	Difference	+\$0.21	+\$0.00	+\$0.00	+\$0.00

Table 20 - Comparison of recommended prices – Lower Mary – Tinana & Teddington tariff group

Charge	Methodology	2025-26	2026-27	2027-28	2028-29
Part A (\$/ML)	Proposed (RAB)	\$22.33	\$25.56	\$26.67	\$27.41
	Annuity	\$22.33	\$25.56	\$28.95	\$32.51
	Difference	+\$0.00	+\$0.00	-\$2.28	-\$5.10
Part B (\$/ML)	Proposed (RAB)	\$13.29	\$13.66	\$16.31	\$19.52
	Annuity	\$13.29	\$13.66	\$14.03	\$14.42
	Difference	+\$0.00	+\$0.00	+\$2.28	+\$5.10

Table 21 - Comparison of recommended prices – Lower Mary Channel tariff group

Charge	Methodology	2025-26	2026-27	2027-28	2028-29
Part A (\$/ML)	Proposed (RAB)	\$7.84	\$8.06	\$8.28	\$8.51
	Annuity	\$9.36	\$10.07	\$10.35	\$10.64
	Difference	-\$1.52	-\$2.01	-\$2.07	-\$2.13
Part B (\$/ML)	Proposed (RAB)	\$0.95	\$0.97	\$1.00	\$1.03
	Annuity	\$0.95	\$0.97	\$1.00	\$1.03
	Difference	+\$0.00	+\$0.00	+\$0.00	+\$0.00
Part C (\$/ML)	Proposed (RAB)	\$62.23	\$66.56	\$71.09	\$75.81
	Annuity	\$60.71	\$64.55	\$69.02	\$73.69
	Difference	+\$1.52	+\$2.01	+\$2.07	+\$2.13
Part D (\$/ML)	Proposed (RAB)	\$73.60	\$75.64	\$77.74	\$79.89
	Annuity	\$73.60	\$75.64	\$77.74	\$79.89
	Difference	+\$0.00	+\$0.00	+\$0.00	+\$0.00

Appendix - Correspondence

Lower Mary Customer Advisory Committee

Date: 17 November 2023

Time: 9:30am – 10:05am

Location: Maryborough Neighbourhood Centre, 52 Ellena Street

Attendees: Scott Maxwell, Norman Muller, Adam Doyle, Melinda Barlow Scott Roxburgh, Scott Allcott

Sunwater representatives: Darren Large, Ally Timms, Keelie O’Sullivan

Apologies: Andrew Adams (proxy: Yolande Kliese)

Minutes:

Agenda items		
Item no.	Item	Presenter
1	Meeting open	Darren Large
2	Lower Mary update	Darren Large
3	Customer survey	Ally Timms
4	General business	Darren Large

1. Meeting open

- Acknowledgement of Country.
- Sunwater gave an overview of agenda.
- Attendees were introduced.
- Sunwater confirmed the meeting minutes were published on the Sunwater website.
- The CAC confirmed the previous minutes are correct.

2. Lower Mary update Text

- Sunwater presented from slide deck outlining completed works.
- Member requested an explanation on the use of Bentonite. Sunwater confirmed because of the timeframe and silt, they put the bentonite on top of the water and continue to monitor it and top up on the upper zone.

3. Customer Survey

- Sunwater presented from slide deck.
- Touchpoint customer survey was sent to all Sunwater customers on 1 November 2023. The survey closes on 30 November.

4. General Business

- The next CAC meeting is scheduled for April 2024 and invitation will be sent shortly.

5. Irrigation Price Path (IPP) Consultation

- The CAC meeting was followed by a stage three IPP consultation. In the meeting, members of the CAC submitted the following statement: "We do not support electricity pass through methodology as there is insufficient evidence of financial benefit to customer."

6. Approval and review

Chair:	Darren Large
Minutes:	Ally Timms
Date:	20 November 2023

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